

RATING ACTION COMMENTARY

Fitch Affirms Arada's IDR at 'B+'/'Stable'; Senior Unsecured Rating at 'BB-'/'RR3'

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Fitch Ratings - London - 22 Oct 2025: Fitch Ratings has affirmed Arada Developments LLC's Long-Term Issuer Default Rating (IDR) at 'B+', with a Stable Outlook, and its senior unsecured debt at 'BB-', with a Recovery Rating of 'RR3'. The senior unsecured rating applies to Arada Sukuk Limited's and Arada Sukuk 2 Limited's sukuk (BB-/RR3).

The affirmation reflects the UAE-based property developer's high leverage and its project and geographic concentration. The concentration risk is mitigated by a prudent approach to development. The company's trading performance is solid, based on regional economic growth and housing demand. Gross debt/EBITDA at end-2024 was 5.3x, and we expect it to decline over the next two years as the major phases of projects are delivered.

Its 'B+' IDR is derived from its Standalone Credit Profile (SCP) of 'b' and a one-notch uplift for Sharjah government support, as assessed under Fitch's Government Related Entity (GRE) criteria.

KEY RATING DRIVERS

Sharjah Focused Master Developer: Arada is Sharjah's largest master-plan developer, with 51% share of off-plan home sales by volume in 2024. The company specialises in villas and low-rise residential buildings within its master developments and selectively develops high-rise towers in Dubai. Newly built communities typically include a mix of housing, schools, green space, retail and coordinated amenities on completion. Since 2017 to September 2025, Arada has launched over 19,300 units, sold 18,300 and delivered 10,100.

High Leverage Expected to Reduce: Leverage remained high in 2024, with gross debt/EBITDA at 5.3x (2023: 5.9x). EBITDA margin recovered to 21.2% in 2024, from 16.7% in 2023, when margins were pressured by higher marketing and sales costs. Gross debt rose after Arada issued USD550 million (AED2 billion) sukuk notes to fund

development. Fitch expects the EBITDA margin to exceed 25% consistently over the next 24 months and gross debt/EBITDA to decline to about 3.7x by end-2025, supported by deliveries of phases launched in Aljada and Masaar.

Good Sales Visibility: Arada has good cashflow visibility supported by a long-term order backlog from the roll-out of phases under the Aljada and Masaar master communities. In 2025 to mid-September, the company achieved AED13.1 billion in sales. In 2025, the company is expected to deliver 1,149 units in Aljada and about 2,500 in 2026, mainly in Aljada, Masaar and Jouri Hills, which are 100% pre-sold at project launch phase or before construction. The Aljada master community remains Arada's largest project, covering 2.2 million square metres with a mixed-use project of 25,000 apartments, townhouses and villas in 14 blocks. In 2027 and 2028, sales visibility is high, with an estimated 3,000 units to be launched and delivered, mainly in Sharjah.

Buoyant Housing Demand: Sharjah's housing market has positive momentum, with transaction values rising about 48% year on year, to roughly AED27 billion in 1H25, and a pickup across the main districts. Off-plan sales dominate, supported by affordability and flexible post-handover plans. Foreign buyers and UAE nationals are active, attracted by price points below Dubai and rental yields typically in the mid- to high-single digits. Policy measures, including expanded freehold access for expatriates and longer visas for property owners, continue to underpin demand.

Construction Risk Mitigated: Arada acquired land in Sharjah with deferred payment, lowering upfront cash outlays. The company targets minimum pre-sales of 60%-65% before construction. Buyers pay a 10% deposit and instalments are tied to milestones, which fund most construction; the balance (usually 60% in Sharjah and 40% in Dubai) is due at handover. If a buyer defaults, Arada retains payments and resells the unit. Construction risk is mitigated through fixed-price, lump-sum contracts and 10% performance bonds from contractors.

UK Acquisition Credit Neutral: In September 2025, Arada's shareholders acquired a 75% stake in Regal London. Fitch acknowledges that the London-based residential-led mixed-use developer will be rebranded as Arada London, leveraging on the reputation of the UAE-based developer. Fitch expects this transaction to be funded ultimately by Arada's shareholders, ring-fenced from Arada Developments and have no impact on the rated entity.

Government Support Beneficial: Arada is an integral part of Sharjah's development plans for real estate. It benefits from local-government support in accessing premium land and deferred land payment, including for the Aljada site. A 16-year, government-backed AED1.6 billion facility funds part of the programme. Under our GRE criteria,

government oversight and precedents of support are strong, supporting a one-notch uplift to Arada's SCP.

PEER ANALYSIS

Arada operates primarily in the Emirate of Sharjah, which is smaller and less developed than Dubai and Abu Dhabi, but less volatile. The company is the primary master plan developer in Sharjah, which has had limited community development. Its strong competitive advantage stems from support from the Sharjah government, including access to land, which is critical in the UAE.

Arada is developing projects in Dubai, which reduces its high geographic concentration, although without Sharjah government support. Here it competes with established UAE developers, such as Omniyat Holdings Ltd, Binghatti Holding Ltd. (both rated BB-/Stable) and Emaar Properties PJSC (BBB/Stable). The latter is a large master plan builder with material international operations. None of these developers have a material presence in Sharjah.

In contrast to Arada, Emaar and Majid Al Futtaim Holding LLC (BBB/Stable) are conglomerates with large portfolios of investment properties generating stable, recurring revenue. Arada's community projects include supporting assets, such as retail businesses and schools, which are retained and generate recurring revenue. Along with several other businesses owned by Arada, these are rising and diversifying recurring cash flows but are expected to remain a small part of revenue. Consequently, the company will remain mainly exposed to volatile development cash flows.

KEY ASSUMPTIONS

Fitch's Key Assumptions within Our Rating Case for the Issuer

- Big revenue growth, to over AED8 billion by 2026, supported by deliveries of new and existing projects (Aljada and Masaar)
- Steady EBITDA margin above 26%
- Large working capital outflow in 2027 and 2028, coinciding with project deliveries, including discretionary land acquisitions
- Gradual rise in dividend distribution across the forecast period, reaching AED275 million by end-2025 and AED650 million in 2026
- Continuous FCF outflow after 2026 as a result of increased dividend payments and working capital cash outflows

RECOVERY ANALYSIS

Fitch uses a liquidation approach for homebuilders, as potential buyers' primary focus would be valuable assets, such as land and developments rather than keep the business as a going concern.

Fitch's recovery analysis has assumed prior-ranking bilateral banking facilities of AED1.3 billion, including development and asset-level financing debt of AED350 million (by December 2025), which is typically secured against developments and land, and rank above the sukuk notes.

The outstanding sukuk notes includes three issues totalling AED5.2 billion (USD1.4billion) maturing in 2027-2030.

Arada's main assets are its inventories (end-2025E: AED3.7 billion), including sites, land, construction in progress and completed buildings, and accounts receivable (AED4.2 billion). We used a 50% advance rate for inventory and accounts receivables, and applied a 50% advance rate to investment properties and equipment (AED2.4 billion).

After deducting 10% for administrative claims, our waterfall analysis generates a Recovery Estimate of 65% for the generic unsecured class of debt. As Arada's IDR is 'B+', the resulting senior unsecured rating is 'BB-'/'RR3'.

RATING SENSITIVITIES

Arada's IDR

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Change in government support, weakening Arada's business and financial profiles
- Gross debt/EBITDA above 4.5x
- Liquidity score sustained below 1x
- Negative FCF on a sustained basis
- Overall softening of Sharjah's real estate market resulting in low pre-sales levels and delayed project launches

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Positive FCF generation on a sustained basis
- Sustained improvement in financial metrics leading to gross debt/EBITDA below 3.5x
- Improved corporate governance structure
- Reduced execution risk
- Improved liquidity position

Sukuk Rating

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- The rating could be downgraded if Arada's Long-Term IDR was downgraded
- Adverse changes to the roles and obligations of the company under the sukuk's structure and documents

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- The senior unsecured rating would not be upgraded if Arada's IDR was upgraded to 'BB-'

LIQUIDITY AND DEBT STRUCTURE

Over the past two years, Arada has established a sukuk programme of up to USD1 billion, of which USD550 million (AED2.0 billion) was drawn in 2024. At end-2024, gross debt primarily comprised AED3.8 billion of senior unsecured sukuks, maturing between 2027 and 2029, and about AED575 million of secured bank facilities. In August 2025, the company tapped its sukuk programme and issued an additional USD450 million (AED1.7 billion) at a 7.15% profit rate. In light of these deals, liquidity is satisfactory, with AED2,887 million of unrestricted cash at 1H25 and no major corporate debt maturing in 2025-2026, except AED150 million due in December 2025 for Jouri Hills facilities.

ISSUER PROFILE

Arada is a master-plan community developer focusing on the Emirate of Sharjah in the UAE.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

Arada Developments LLC has an ESG Relevance Score of '4' for Governance Structure due to the weak structure of the board of directors compared with most EMEA peers. The board comprises five members, including the two shareholders, one independent director and the chief executive officer. The limited number of independent board members has a negative effect on the credit profile and is relevant to the rating in conjunction with other factors, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have a minimal credit impact, either due to their nature or the way in which they are being managed. Our ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the decision. For more information on our ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡		RATING ⚡		RECOVERY ⚡	PRIOR ⚡
Arada Sukuk Limited					
senior unsecured	LT	BB-	Affirmed	RR3	BB-

Arada Developments LLC	LT IDR				B+ Rating Outlook Stable
	B+ Rating Outlook Stable				
	Affirmed				
senior unsecured	LT	BB-	Affirmed	RR3	BB-
Arada Sukuk 2 Limited					
senior unsecured	LT	BB-	Affirmed	RR3	BB-

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 02 Aug 2024\)](#)
(including rating assumption sensitivity)

[Corporate Rating Criteria \(pub. 27 Jun 2025\)](#) (including rating assumption sensitivity)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 27 Jun 2025\)](#)

[Government-Related Entities Rating Criteria \(pub. 18 Jul 2025\)](#)

[Sukuk Rating Criteria \(pub. 14 Oct 2025\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 ([1](#))

ADDITIONAL DISCLOSURES

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UK Issued, EU Endorsed

Arada Sukuk 2 Limited

UK Issued, EU Endorsed

Arada Sukuk Limited

UK Issued, EU Endorsed

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