Camden Property Trust (CPT)

Updated November 5th, 2021, by Eli Inkrot

Key Metrics

Current Price:	$161	**5 Year CAGR Estimate:**	-3.3%	**Market Cap:**	$17 B
Fair Value Price:	$97	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	12/15/21
% Fair Value:	167%	**5 Year Valuation Multiple Estimate:**	-9.7%	**Dividend Payment Date[1]:**	01/15/22
Dividend Yield:	2.1%	**5 Year Price Target**	$118	**Years Of Dividend Growth:**	10
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Last Dividend Increase:**	3.8%

Overview & Current Events

Founded in 1993, and headquartered in Houston, Texas, Camden Property Trust is one of the largest publicly traded multifamily real estate companies in the United States. The company is structured as a Real Estate Investment Trust (REIT), owning, managing, and developing multifamily apartment communities. As of October 31st, 2021, Camden owned 173 properties containing 59,240 apartments. The $17 billion market cap company has approximately 1,600 employees.

On October 28th, 2021, Camden released Q3 2021 results for the period ending September 30th, 2021. For the quarter the company reported property revenue of $294.1 million, a 10.7% increase compared to Q3 2020. Net income equaled $29.5 million versus $35.0 million in the prior year's quarter. Adjusted Funds From Operations (FFO) totaled $122.5 million or $1.17 per share compared to $104.3 million or $1.03 per share in Q3 2020.

In Q3 2021 Camden reported occupancy of 97.3%, up from 95.5% in Q3 2020, with 98.8% of rent being collected.

Camden also updated its 2021 guidance, now anticipating $5.34 to $5.40 in FFO per share (from $5.17 to $5.37). We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
FFO	$2.73	$3.62	$4.11	$4.29	$4.54	$4.64	$4.53	$4.77	$5.05	$4.90	***$5.37***	***$6.53***
DPS	$1.96	$2.24	$2.52	$2.64	$2.80	$2.95	$3.00	$3.08	$3.20	$3.29	***$3.32***	***$4.04***
Shares[2]	78.8	96.2	85.3	88.5	97.6	89.9	91.5	103.1	97.3	99.4	***104***	***115***

Note that we have presented FFO in the table above, as this better reflects the underlying earnings power of a REIT. Dating back to 2011, Camden has been able to grow its dividend and FFO by 5.9% and 6.7% per annum respectively. However, in the last five years these growth rates have slowed to 3.3% and 1.5% respectively. We are forecasting 4% annual growth over the intermediate-term – in-between these two historical marks – for a variety of reasons.

On the positive growth side, we expect Camden to come off a subdued 2020 base, making future growth easier. In addition, we are impressed by the resilience that the company has demonstrated thus far amid the pandemic. Further, general economic growth over the long-term ought to help drive growth and the properties recently completed and under construction will add ~2,600 units.

Counterbalancing these positive notions, is the idea that growth began to slow even before the pandemic and Camden routinely issues shares to fund new properties. While this is a common practice among REITs, it does create a higher return bar that must be met before growth can occur on a per share level.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
P/FFO	22.2	18.2	16.3	15.7	16.8	17.6	16.6	20.2	20.7	19.4	***30.0***	***18.0***
Avg. Yld.	4.8%	3.4%	3.8%	3.9%	3.7%	3.6%	3.7%	3.5%	3.1%	3.5%	***2.1%***	***3.4%***

[1] Estimate.

[2] In millions.

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Over the past decade shares of Camden have traded with an average price-to-FFO ratio of about 18. We believe this is more or less fair, taking into consideration the company's history and valuation of similar securities. With shares trading closer to 30 times estimated FFO, this implies the potential for a notable valuation headwind. The dividend was cut during the Great Recession, but has since recovered nicely, having increased each year for the past decade. This component ought to buoy investor returns over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	72%	62%	61%	62%	62%	64%	66%	65%	63%	67%	***62%***	***62%***

Camden has a competitive advantage in its position as one of the largest multifamily REITs in the U.S. Its scale and expertise allow it to leverage its experience across a wide portfolio of properties and actively pursue developments.

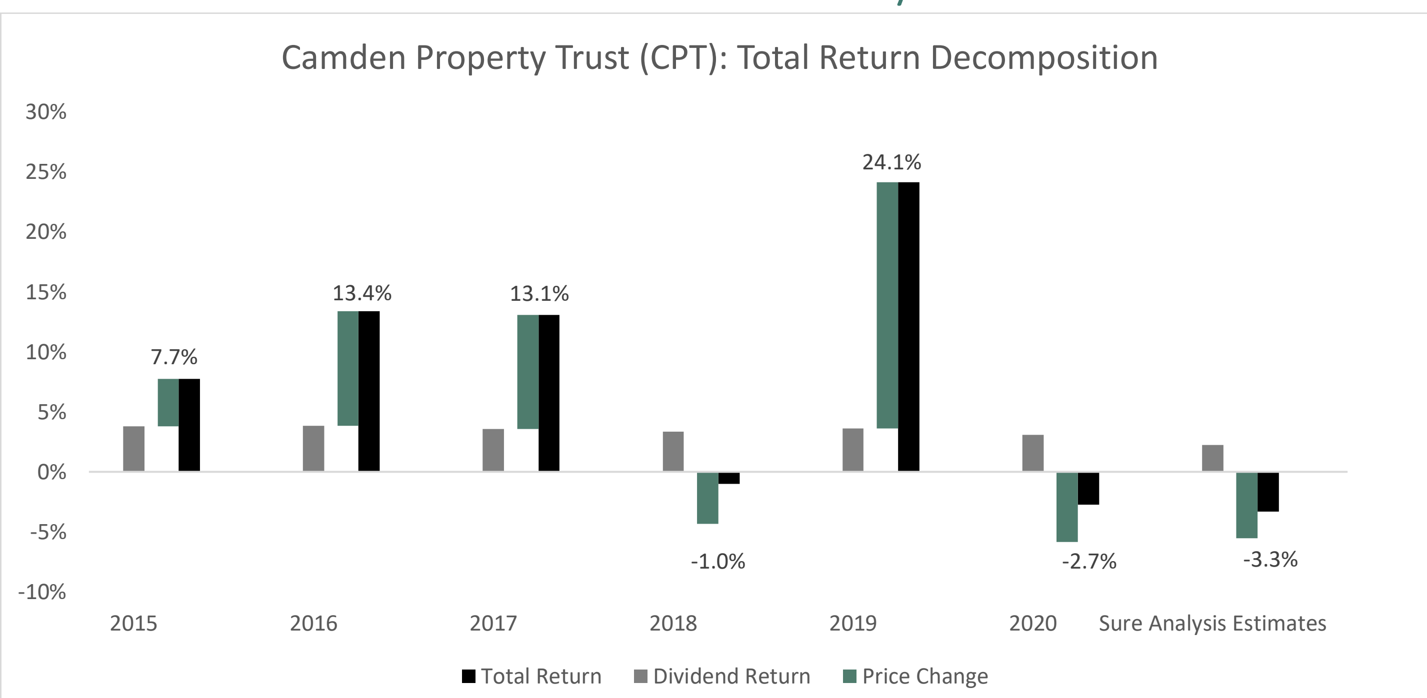
The company's FFO payout ratio has hovered in the 60% to 70% range for the last decade, which is where we anticipate it will remain with dividend growth tracking FFO growth over time. During the Great Recession, Camden posted FFO of $2.90, $1.68, $2.72 and $2.73 over the 2008 through 2011 stretch. Meanwhile, the dividend was cut from $2.80 down to $1.80 on an annual basis. This gives you some idea of the toll that recessions can take on the business, along with Camden's ability to bounce back. The company is holding up much better this time around, so far.

As of the most recent report, Camden held $7.0 billion in real estate and $7.7 billion in total assets against $3.7 billion in total liabilities. The company's net debt-to-adjusted EBITDA ratio equaled 4.5x.

Final Thoughts & Recommendation

Shares are up 75% in the last year. Camden is a leading multifamily REIT with a solid operating history. The Great Recession was not especially kind to the company, but so far Camden is holding up quite well this time around. However, we are forecasting -3.3% annual total return potential, stemming from 4% growth and a 2.1% starting yield, entirely offset by the potential for a meaningful valuation headwind. Shares earn a sell rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	599	698	789	790	836	876	901	955	1028	1044
Gross Profit	369	442	503	505	535	565	572	611	662	649
Gross Margin	62%	63%	64%	64%	64%	64%	64%	64%	64%	62%
SG&A Exp.	52	54	56	69	67	70	72	74	76	71
D&A Exp.	182	210	222	222	241	250	264	301	336	---
Operating Profit	152	194	230	214	227	245	236	236	250	211
Operating Margin	25%	28%	29%	27%	27%	28%	26%	25%	24%	20%
Net Profit	56	286	336	292	249	820	196	156	220	124
Net Margin	9%	41%	43%	37%	30%	94%	22%	16%	21%	12%
Free Cash Flow	17	34	47	-79	11	100	136	145	148	---
Income Tax	2	1	2	2	2	2	1	1	1	2

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	4622	5385	5632	6044	6038	6028	6174	6220	6749	7199
Cash & Equivalents	55	27	18	154	11	237	368	34	23	420
Accounts Receivable	31	34	28	26	25	24	24	23	22	20
Total Liabilities	2696	2758	2825	3087	3065	2856	2612	2782	3047	3682
Accounts Payable	94	102	113	157	133	138	128	147	172	176
Long-Term Debt	2432	2510	2531	2731	2725	2481	2205	2322	2524	3167
Shareholder's Equity	1857	2563	2739	2884	2896	3092	3483	3364	3629	3445
D/E Ratio	1.31	0.98	0.92	0.95	0.94	0.80	0.63	0.69	0.70	0.92

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	1.2%	5.7%	6.1%	5.0%	4.1%	13.6%	3.2%	2.5%	3.4%	1.8%
Return on Equity	3.2%	13.0%	12.7%	10.4%	8.6%	27.4%	6.0%	4.6%	6.3%	3.5%
ROIC	1.8%	6.0%	6.4%	5.3%	4.4%	14.4%	3.4%	2.7%	3.7%	1.9%
Shares Out.	73.5	85.6	88.5	88.5	89.5	89.9	92.5	95.4	99.4	99.4
Revenue/Share	$8.16	$8.16	$8.91	$8.93	$9.34	$9.75	$9.74	$10.01	$10.35	$10.50
FCF/Share	$0.23	$0.39	$0.54	-$0.89	$0.13	$1.11	$1.47	$1.52	$1.49	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.