Kite Realty Group Trust (KRG)

Updated February 15th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$22	**5 Year CAGR Estimate:**	8.7%	**Market Cap:**	$5.0 B
Fair Value Price:	$23	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	04/09/2025[1]
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.5%	**Dividend Payment Date:**	04/16/2025[1]
Dividend Yield:	4.8%	**5 Year Price Target:**	$28	**Years of Dividend Growth:**	5
Dividend Risk Score:	F	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Kite Realty Group Trust is a full-service, vertically integrated real estate investment trust that owns mainly open-air community shopping centers across the United States. The trust has a diverse portfolio of community, neighborhood, and lifestyle centers. Kite Realty Group trades on the NYSE under the ticker symbol KRG and is headquartered in Indianapolis, Indiana. The Trust has a market capitalization of $5.0 billion. Kite Realty Group Trust owns or has an interest in 179 operating retail properties comprising 27.7 million square feet.

On October 28th, 2024, Kite Realty declared a $0.27 quarterly distribution, which was 8.0% higher year-over-year.

Kite Realty Group reported fourth quarter 2024 results on February 11th, 2025. The trust reported FFO of $119 million, or $0.53 per diluted common share compared to $111 million, or $0.50 per share in fourth quarter 2023. KRG's same-property net operating income (NOI) rose by 4.8%.

During the quarter, the trust executed 170 new and renewal leases, totaling 1.2 million square feet. Annualized base rent (ABR) per square foot for the retail portfolio rose 2.2% year-over-year to $21.15. Its economic occupancy percentage of 92.5% was an improvement over the prior year quarter's 91.3%. KRG's net debt-to-Adjusted EBITDA ratio was 4.7X at quarter-end.

Leadership initiated its fiscal 2025 guidance and sees FFO coming in between $2.02 to $2.08 per share.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO	$1.99	$2.06	$2.04	$2.00	$1.66	$1.29	$1.50	$1.93	$2.03	$2.07	***$2.05***	***$2.49***
DPS	$1.08	$1.14	$1.21	$1.27	$1.14	$0.45	$0.68	$0.82	$0.96	$1.03	***$1.08***	***$1.31***
Shares[2]	83.5	83.5	83.7	83.7	83.9	84.1	110.6	219.1	219.8	220.3	***221.0***	***260.0***

Kite Realty has generated positive long-term adjusted funds from operations growth, but the nine year AFFO per share growth has been muted, partly due to the impact of the pandemic and higher interest expense as a result of higher interest rates. Over the last nine and five years, KRG has generated AFFO per share growth of 0.4% and 4.5% annually, respectively. We estimate that KRG can produce 4.0% annual AFFO per share growth over the next five years.

Kite Realty will grow by expanding its number of retail properties, the number of states and markets it operates in, and by boosting its properties' annualized base rent per square foot. The trust will use available cash flow, targeted asset recycling, equity, and debt capital to opportunistically acquire more retail properties and redevelop existing properties with high investment returns. The trust will grow revenue from operating properties by leasing and re-leasing to strong and diverse retail tenants at increasing rental rates. It may also pursue strategic joint ventures.

The merger with Retail Properties of America Inc. has seen the size and breadth of the trust grow massively. It also increased KRG's geographic footprint in high-growth markets, and enhanced growth opportunities through strong active development projects.

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[1] Estimate

[2] In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AFFO	13.4	13.0	10.0	8.0	9.8	9.7	13.5	10.6	10.6	11.4	***10.9***	***11.2***
Avg. Yld.	4.0%	4.2%	5.8%	7.8%	7.9%	9.1%	2.9%	3.6%	4.3%	4.2%	***4.8%***	***4.7%***

The current P/AFFO of 10.9 is below the ten- and five-year average valuations of 11.0- and 11.2-times AFFO. Given the pandemic and transition to online shopping has exacerbated challenges in the retail brick and mortar space, we peg fair value for KRG stock at 11.2 times AFFO, which implies the potential for a small valuation tailwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

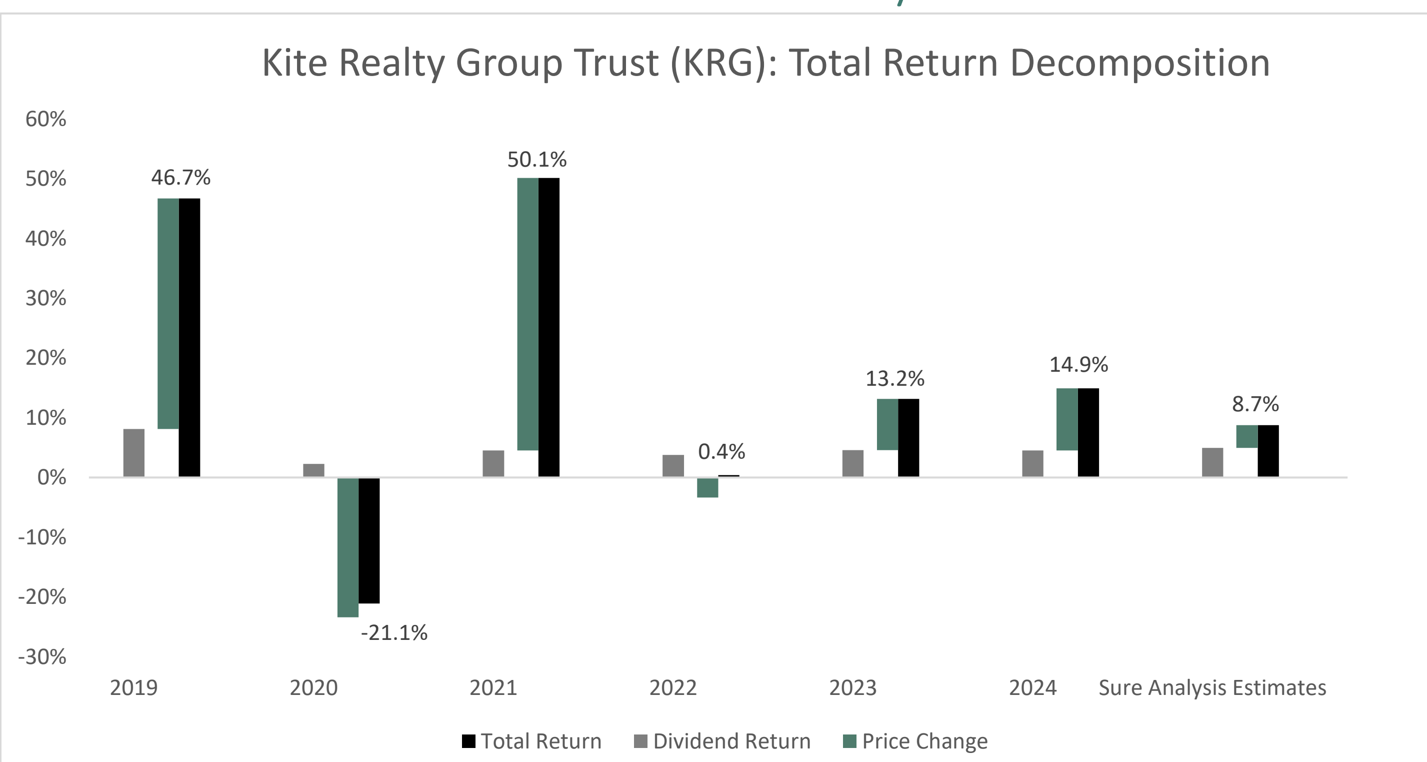
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	54%	55%	59%	64%	69%	35%	45%	42%	47%	50%	***53%***	***53%***

Kite Realty Group slashed its dividend in 2019 after a series of increases, and then further slashed it amidst the COVID pandemic in 2020. As a result, in recent years, the payout ratio was fairly covered, but investors cannot expect KRG to consistently increase dividends. During the great recession, Kite Realty Group suffered massively as did most real estate related companies. The great recession saw KRG's peak dividend of $3.28 in 2008 fall more than 66% to $0.96 in 2010. The trust does not possess any strong competitive advantage, but it's open air centers held up slightly better than crowded malls given the nature of the pandemic.

Final Thoughts & Recommendation

Kite Realty Group has merged with Retail Properties of America which has seen the scale of the company expand. The share price of Kite Realty Group has increased 6% in the last twelve months. It could still offer annualized total returns of 8.7% over the next five years, stemming from 4.0% annual AFFO per share growth, the 4.8% starting yield, and 0.5% multiple expansion. KRG earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	347	354	359	354	315	267	373	802	823	842
Gross Profit	256	263	266	261	231	190	268	590	613	624
Gross Margin	73.8%	74.4%	74.1%	73.8%	73.2%	71.2%	71.8%	73.6%	74.5%	74.2%
SG&A Exp.	20	23	22	21	28	31	34	55	56	53
D&A Exp.	171	179	175	156	135	131				398
Operating Profit	73	65	72	88	71	30	34	66	130	178
Op. Margin	21.1%	18.5%	20.1%	24.8%	22.4%	11.4%	9.1%	8.2%	15.8%	21.2%
Net Profit	27	1	12	-47	-1	-16	-81	-13	48	4
Net Margin	7.8%	0.3%	3.3%	-13%	-0.2%	-6.1%	-21.6%	-1.6%	5.8%	0.5%
Free Cash Flow	77	61	82	95	85	57				278
Provision For Tax	0	1	0	0	0	-1	0	0	1	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,756	3,656	3,512	3,172	2,649	2,609	7,605	7,342	6,944	7092
Cash & Equivalents	34	20	24	35	31	44	93	116	36	128
Accts. Receivable	51	53	58	58	55	57	68	101	113	58
Goodwill & Int.	95	65	44	26	11	6	---			238
Total Liabilities	2,030	2,012	1,946	1,759	1,359	1,377	3,678	3,516	3,300	3680
Accounts Payable	81	81	78	86	72	79	---	208		203
Long-Term Debt	1,724	1,731	1,699	1,543	1,147	1,171	3,151	3,010	2,829	3227
Total Equity	1,726	1,644	1,565	1,413	1,289	1,231	3,922	3,767	3,568	3312
LTD/E Ratio	1.00	1.05	1.09	1.09	0.89	0.95	0.80	0.80	0.79	0.97

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	0.0%	0.3%	-1.4%	0.0%	-0.6%	-1.6%	-0.2%	0.7%	0.1%
Return on Equity	1.5%	0.1%	0.7%	-3.1%	0.0%	-1.3%	-3.1%	-0.3%	1.3%	0.1%
ROIC	0.8%	0.0%	0.4%	-1.5%	0.0%	-0.7%	-1.7%	-0.2%	0.7%	0.1%
Shares Out.	83.5	83.5	83.7	83.7	83.9	84.1	110.6	219.1	219.7	223.5
Revenue/Share	4.15	4.24	4.29	4.23	3.76	3.17	3.37	3.66	3.75	3.77
FCF/Share	0.92	0.73	0.98	1.14	1.01	0.68	---			1.24

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