



Lexington Realty Trust (LXP)

Updated February 15th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$8.5	5 Year CAGR Estimate:	12.9%	Market Cap:	\$2.5 B
Fair Value Price:	\$9.1	5 Year Growth Estimate:	7.0%	Ex-Dividend Date¹:	03/27/2025
% Fair Value:	93%	5 Year Valuation Multiple Estimate:	1.5%	Dividend Payment Date¹:	04/15/2025
Dividend Yield:	6.4%	5 Year Price Target:	\$13	Years of Dividend Growth:	6
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Lexington Realty Trust owns equity and debt investments in single-tenant properties and land across the United States. The trust's portfolio is primarily industrial equity investments. The trust grows the industrial portfolio by financing, or by acquiring new investments with long-term leases, repositioning the portfolio by recycling capital and opportunistically taking advantage of capital markets. Additionally, the company supplies investment advisory and asset management services for investors in the single-tenant net-lease asset market. Lexington Realty trades on the NYSE under the ticker symbol LXP and is headquartered in New York. LXP has a market capitalization of \$2.5 billion.

On February 13th, 2025, Lexington reported fourth quarter 2024 results for the period ending December 31st, 2024. The trust announced adjusted funds from operations (AFFO) of \$0.16 per share for the quarter, a penny short of the prior year quarter.

For Q4, the trust completed 1.0M square feet of new leases and lease extensions, which increased base and cash base rents by 66.3% and 42.6%, respectively.

Lexington also invested \$21 million in ongoing development projects. The trust's stabilized industrial portfolio was 93.6% leased. At quarter end, Lexington had leverage of 5.9X net debt to adjusted EBITDA.

Leadership initiated 2025 guidance, and expects to generate 2025 AFFO of \$0.61 to \$0.65 per share.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFO	\$1.10	\$1.14	\$0.97	\$0.96	\$0.80	\$0.76	\$0.78	\$0.67	\$0.70	\$0.64	\$0.63	\$0.88
DPS	\$0.68	\$0.69	\$0.70	\$0.71	\$0.41	\$0.42	\$0.43	\$0.48	\$0.50	\$0.52	\$0.54	\$0.57
Shares²	233.8	237.7	241.5	240.8	237.9	268.2	287.4	282.5	291.2	291.7	292.0	335.0

Lexington Realty has a long-term track record of declining adjusted funds from operations in both the historical nine and five year periods. Over the last nine and five years, LXP's adjusted FFO has decreased by -5.8% and -4.4% per year on average. Additionally, the dividend has also shrunk over the long-term, and today it is still below its 2012 level. Despite this, now that the trust has transformed itself into a full-fledged industrial REIT, we estimate it can grow AFFO per share by 7.0% annually in the intermediate term.

The trust's ballooning share count will continue to expand to fund industrial property acquisitions and bolster the portfolio. Additionally, as development projects come to completion, and new leases are signed, AFFO will grow. The trust can also grow organically through increases in same store net operating income (NOI).

We believe it will tack on token increases to the annual dividend to build a consecutive dividend growth streak from the low base in 2019.

¹ Estimate

² In thousands

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/AFFO	8.4	8.3	10.5	8.8	12.2	13.9	16.4	17.7	14.0	14.5	13.5	14.5
Avg. Yld.	7.4%	7.4%	6.8%	8.4%	6.2%	4.0%	3.4%	3.9%	5.1%	5.6%	6.4%	4.4%

The current P/AFFO of 13.5 based on 2025's estimated AFFO is a premium to the 10-year average of 12.5. Given the trust's transformation to a complete industrial property REIT, we peg fair value at 14.5 times AFFO, which implies the potential for a valuation tailwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	62%	60%	72%	74%	52%	56%	55%	72%	71%	81%	86%	64%

Lexington Realty has maintained a somewhat conservative payout ratio over the last decade; however, it has only been able to do so because it has cut the dividend multiple times as adjusted funds from operations shrunk. This unfortunately adds to the risk of the company and increases the volatility of estimating total returns.

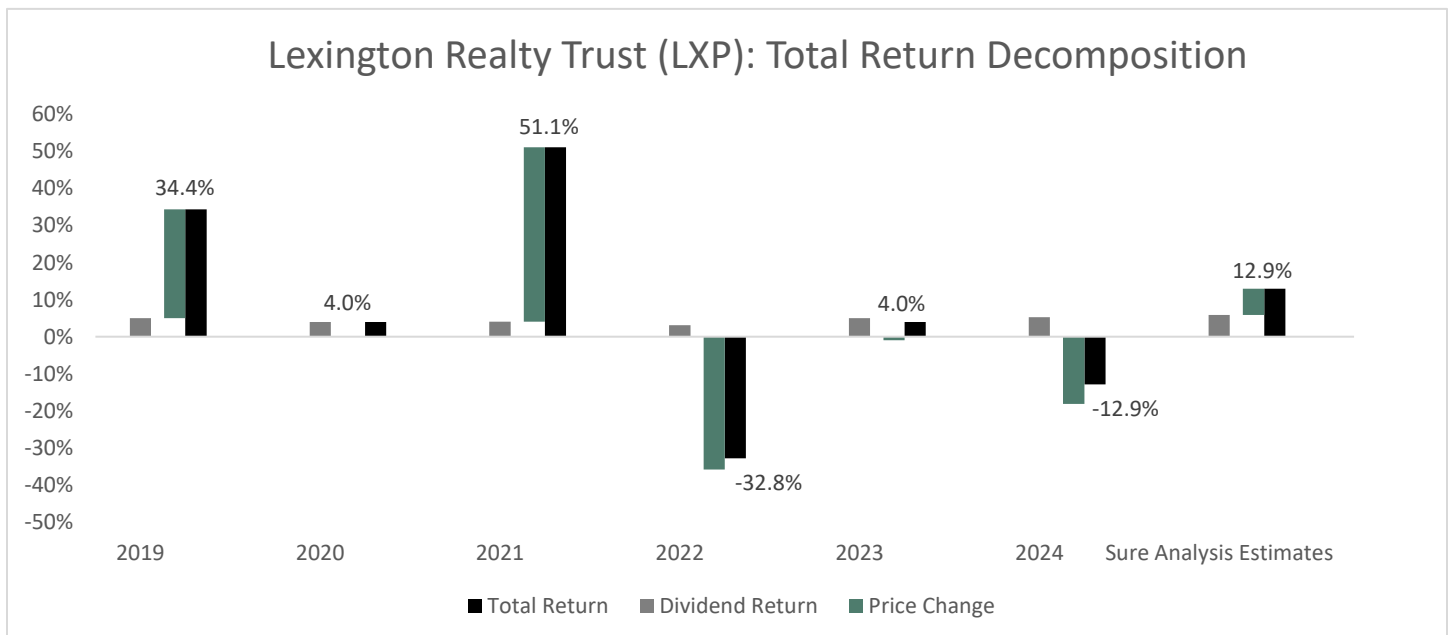
LXP was negatively impacted by the great recession, which saw the trust's dividend fall from a height of \$1.83 in 2006 to \$0.42 in 2010. During that time, the share count increased massively and still the trust reported losses. Lexington is not recession resistant, though its industrial concentration was a boon during the COVID pandemic.

We see only a small competitive advantage in LXP's growth strategy, where they invest only in "shovel-ready" opportunities to avoid risk, and partner with merchant builders, who will typically take on the risk of cost overruns.

Final Thoughts & Recommendation

Lexington Realty Trust has a history of declining adjusted funds from operations over the last decade, and the recent five year period. Additionally, the dividend cannot be trusted after being slashed multiple times. Nevertheless, the high dividend yield of 6.4% adds to total returns meaningfully. And we believe the company can squeeze growth out of its industrial property focus. Today shares trade at 93% of our fair value estimate. Overall, we expect 12.9% in annualized total returns and thus LXP earns a buy 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	431	429	393	397	326	330	344	321	341	358
Gross Profit	208	216	170	186	136	127	120	86	99	105
Gross Margin	48.3%	50.3%	43.2%	46.9%	41.8%	38.4%	34.7%	26.7%	29.0%	29.3%
SG&A Exp.	29	31	34	32	31	30	35	39	36	40
D&A Exp.	167	170	178	172	154	168	183	187	191	201
Operating Profit	179	185	135	154	106	97	84	47	62	
Op. Margin	41.5%	43.1%	34.5%	38.9%	32.4%	29.2%	24.4%	14.6%	18.2%	18.2%
Net Profit	112	96	86	227	280	183	383	114	30	45
Net Margin	25.9%	22.3%	21.8%	57.3%	85.9%	55.5%	111.2%	35.4%	8.8%	12.4%
Free Cash Flow	216	235	213	202	174	185	205	162	192	193

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,808	3,441	3,553	2,954	3,180	3,493	4,006	4,054	4,193	3,843
Cash & Equivalents	93	87	108	169	123	179	191	54	199	102
Acct Receivable	95	39	58	62	70	70	4	3.03	5.33	2.05
Goodwill & Intang.	693	597	599	420	410	409	190	155	123	246
Total Liabilities	2,346	2,029	2,212	1,607	1,456	1,502	1,682	1,663	1,927	1,723
Accounts Payable	41	60	39	31	30	55	78	74	58	57
Long-Term Debt	2,055	1,734	1,942	1,365	1,185	1,214	1,369	1,360	1,643	1,442
Total Equity	1,346	1,299	1,230	1,236	1,611	1,877	2,197	2,259	2,138	2,004
D/E Ratio	1.43	1.24	1.47	1.03	0.69	0.62	0.60	0.58	0.74	0.69

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.9%	2.6%	2.4%	7.0%	9.1%	5.5%	10.2%	2.8%	0.7%	1.1%
Return on Equity	8.2%	7.2%	6.8%	18.4%	19.7%	10.5%	18.8%	5.1%	1.3%	2.0%
ROIC	3.2%	2.9%	2.7%	7.6%	10.0%	6.0%	11.1%	3.1%	0.8%	1.2%
Shares Out.	233.8	237.7	241.5	240.8	237.9	268.2	287.4	282.5	291.2	291.6
Revenue/Share	1.84	1.81	1.63	1.65	1.37	1.23	1.20	1.14	1.17	1.23
FCF/Share	0.92	0.99	0.88	0.84	0.73	0.69	0.71	0.57	0.66	0.66

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

Disclaimer

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