



# Top 10 REITs

# March 2025 Edition

A monthly special report service from Sure Dividend

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## Top 10 REITs – March 2025

Name & Ticker	Price	Fair Value	Payout Ratio	Years Div. Growth	Div. Yield	Exp. Growth Return	Exp. Value Return	Exp. Total Return
<a href="#">Equinix (EQIX)</a>	\$872	\$872	51%	9.0	2.2%	9.0%	0.0%	10.9%
<a href="#">SBA Communications (SBAC)</a>	\$219	\$220	35%	6.0	2.0%	8.0%	0.1%	10.3%
<a href="#">American Tower (AMT)</a>	\$207	\$229	62%	13.0	3.1%	5.0%	2.0%	9.6%
<a href="#">CubeSmart (CUBE)</a>	\$42	\$41	82%	15.0	4.9%	6.0%	-0.6%	9.7%
<a href="#">Alexandria Real Estate (ARE)</a>	\$100	\$140	57%	14.0	5.3%	5.0%	7.0%	16.0%
<a href="#">Postal Realty Trust (PSTL)</a>	\$14	\$16	81%	5.0	7.1%	3.0%	2.8%	11.5%
<a href="#">Rexford Industrial (REXR)</a>	\$41	\$48	71%	11.0	4.2%	8.0%	3.3%	14.8%
<a href="#">American Assets Trust (AAT)</a>	\$21	\$29	70%	5.0	6.4%	4.0%	6.3%	14.6%
<a href="#">CareTrust REIT (CTRE)</a>	\$26	\$28	67%	9.0	4.5%	7.5%	1.9%	12.9%
<a href="#">NexPoint Residential (NXRT)</a>	\$40	\$46	66%	9.0	5.0%	4.0%	2.6%	11.5%

*Notes:* Data for the table above is from the 3/7/25 [Sure Analysis Research Database](#) spreadsheet. “Div.” stands for Dividend. “Exp.” Stands for Expected. Expected returns are annualized and based on 5-year forward projections. Data in the table above may be different than individual company analysis pages due to writing the company reports throughout the previous several days.

*Disclosures:* None

Universal Health (UHT), Realty Income (O), Sun Communities (SUI) and Innovative Industrial Properties (IIPR) were replaced from last month’s Top 10 by Postal Realty (PSTL), Rexford Industrial Realty (REXR), American Assets Trust (AAT) and CareTrust REIT (CTRE).

The Top 10 has the following average characteristics:

	Top 10 REITs	S&P 500
<b>Dividend Yield:</b>	4.5%	1.3%
<b>Growth Rate:</b>	6.0%	5.5%
<b>Valuation Return:</b>	2.5%	-1.3%
<b>Expected Annual Total Returns:</b>	12.2%	5.4%

**Notes:** The S&P 500 expected annual total return calculation uses the average P/E ratio of the last 10 years for a fair value estimate. REITs have different tax consequences than stocks that trade as corporations. [Please see our REIT Tax Guide for more](#) information. Data for this edition is from 3/4/25 through 3/7/25.

## **Equinix Inc. (EQIX)**

**Dividend Yield: 2.2%**

**5-Year Expected Annual Total Returns: 10.9%**

### **Overview & Current Events**

Equinix is a leading global digital infrastructure company specializing in data centers and internet connectivity. Equinix has grown to operate 268 data centers, serving over 10,000 customers in 35 countries. These include telecommunications carriers, cloud and IT service providers, digital media and content providers, and financial services companies. Equinix has a market capitalization of \$89 billion.

On February 12<sup>th</sup>, 2025, Equinix reported its Q4 results for fiscal 2024. The company grew its revenue 7% over the prior year's quarter. It has thus achieved 88 consecutive quarters of revenue growth, an impressive achievement, which is a testament to the strength of the business model of the REIT. Adjusted funds from operations (AFFO) per share grew 8.5%, from \$7.30 to \$7.92.

Equinix continues to expand its platform, with 62 notable projects underway across 36 markets. Management provided positive guidance for 2025, projecting 3%-4% growth of revenue and 5%-7% growth of AFFO per share. Accordingly, we expect AFFO per share of \$37.10 this year.

### **Safety & Dividend Risk Analysis**

Equinix is offering a 2.2% dividend, which is well covered given its healthy payout ratio of 51%. The trust has raised its dividend for 9 consecutive years and has ample room to keep raising its dividend for many more years. The trust's competitive advantage among data center REITs is its global platform spanning 35 countries, including the industry's largest and most active ecosystem of partners in their centers, resulting in a network effect that enhances performance and lowers costs for clients.

The trust has an S&P credit rating of BBB, and consolidated net debt-to-adjusted-EBITDA ratio of 3.5x. During the Great Recession, Equinix saw its net income cut by nearly half. It took until 2012 to surpass net income levels seen in 2008. The COVID pandemic had the opposite effect of the Great Recession on the REIT, as technology and data use increased significantly with stay-at-home orders, and remote work and school.

### **Growth, Value & Expected Total Return Analysis**

Equinix has grown its revenues for 22 consecutive years and has grown its bottom line steadily for over a decade. For the past nine and five years, Equinix has grown its AFFO per share at an average annual rate of 11% and 9%, respectively. We expect the REIT to keep growing its AFFO per share by 9% per year on average until 2030, as it will expand its global platform and continue adding new data centers to its portfolio.

Based on our expected 2025 AFFO per share of \$37.10, the stock is trading for a price-to-FFO ratio (P/FFO) of 23.5, which is at our fair value P/FFO estimate of 23.5. As a result, we do not expect valuation to significantly affect the 5-year return of the stock. Given the 2.2% dividend yield and 9.0% expected growth of FFO per share, we anticipate total returns of 10.9% per year over the next five years.

## **SBA Communications Corp. (SBAC)**

**Dividend Yield: 2.0%**

**5-Year Expected Annual Total Returns: 10.2%**

### **Overview & Current Events**

SBA Communications owns and operates wireless communications infrastructure, mainly consisting of tower structures that support antennas for wireless communication. SBA has nearly 40,000 tower sites leased to various wireless telecom providers. Additionally, SBA offers site development services to assist telecom providers in building and maintaining their wireless networks.

Headquartered in Boca Raton, Florida, the company generates approximately \$2.7 billion in annual revenue and has a \$24 billion market capitalization.

On February 24<sup>th</sup>, 2025, SBA posted its Q4 results for fiscal 2024. Revenue grew 3% over the prior year's quarter. Total site leasing revenue increased by 1.6% in constant currency, while site development revenues grew 22%. Adjusted funds from operations (AFFO) per share grew 3.0%, partly due to share repurchases.

During the quarter, SBA acquired seven communication sites for a total cash consideration of \$1.3 million and also built 159 towers on its own.

Management provided modest guidance for 2025. It expects site leasing revenues to be between \$2.530 and \$2.555 billion and AFFO per share of \$12.40-\$12.76. At the midpoint of \$12.58, this guidance implies a 6% decrease.

### **Safety & Dividend Risk Analysis**

We consider SBA's dividend safe based on its payout ratio of just 35% of expected fiscal 2025 AFFO. The company enjoys a distinct competitive advantage along with the handful of other tower REITs which have formed an oligopoly.

Unlike traditional real estate properties, whose tenants may struggle to pay rent during a potential recession, telecom companies have resilient revenues, while the essential and mission-critical nature of telecommunication ensures no adverse impact on SBA's performance. This was proven both during the Great Financial Crisis and the COVID-19 pandemic, when revenues continued to grow during both periods.

### **Growth, Value & Expected Total Return Analysis**

SBA has favorable qualities, including a highly scalable business model, a credit-worthy tenant base of telecom majors, as well as contractually secured and predictable revenues. SBA also regularly repurchases shares, which is unusual for a REIT. The share count has declined by 1.9% per year on average over the last nine years. Looking ahead, we expect SBA to generate 8.0% annualized growth of FFO per share.

SBA trades for a price-to-FFO ratio of 17.5, which is equal to our fair value estimate. As a result, we do not expect valuation to significantly affect the 5-year return of the stock. Thanks to 8.0% expected growth of FFO per share and the 2.0% dividend yield, we forecast annual total returns of 10.2% through 2030.

# American Tower Corp. (AMT)

**Dividend Yield:** 3.1%

**5-Year Expected Annual Total Returns:** 9.4%

## Overview & Current Events

American Tower was founded in 1995 and is one of the world's largest global REITs. The company specializes in owning, operating, and developing multi-tenant communications real estate, with a portfolio of nearly 150,000 communications sites, in the U.S. and international markets. The REIT currently trades with a \$97 billion market capitalization.

American Tower benefits from mid-band deployment in the U.S. and Europe, 4G densification, and 5G upgrades in emerging markets. In the fourth quarter, revenue grew 4% over the prior year's quarter, marking an improvement compared to previous quarters. Consolidated adjusted funds from operations (AFFO) per share grew 10.5%, from \$2.10 to \$2.32. The net-debt-to-EBITDA ratio improved from 5.2 to 5.1. On the other hand, due to a high comparison base, management issued cautious guidance for 2025. It expects 0.6% growth of property revenue and consolidated AFFO per share of \$10.31-\$10.50, implying a 7% decrease at the midpoint. Accordingly, we expect AFFO per share of \$10.40 this year.

## Safety & Dividend Risk Analysis

American Tower enjoys a competitive advantage in its leadership in the U.S. market. Not only is the company entrenched in the space but switching costs for its customers (once equipment is installed) are quite high. Meanwhile, American Tower enjoys economies of scale as it grows larger, with the cost to add additional tenants to a tower being essentially negligible.

American Tower is currently offering a 3.1% dividend yield. While this yield is modest for a REIT, it is higher than the 10-year average yield of 2.3% of this REIT. Thanks to the healthy payout ratio of 62% of the stock, its dividend is safe for the foreseeable future. On the other hand, we note that the payout ratio is standing at a nearly 10-year high while the REIT has a material debt load. This means that the dividend may come under pressure whenever American Tower faces a severe downturn.

## Growth, Value & Expected Total Return Analysis

American Tower has an exceptional growth record. It has grown its AFFO per share for 9 consecutive years, at a 10.8% average annual rate. The trust is well entrenched as a leader in the U.S. market and has also been significantly expanding abroad. On the other hand, the evolution of 5G poses a threat, as it may disrupt the macro tower model of the REIT. We expect the REIT to grow its AFFO per share by 5.0% per year on average until 2030. The stock is trading at 20.1 times our estimate of 2025 AFFO. Our fair value multiple is 22.0 times AFFO, below the historical average of the stock, indicating the potential for a 1.8% annual tailwind from valuation. When combined with the 3.1% yield and 5.0% growth, potential total returns could be 9.4% per year over the next five years.

## CubeSmart (CUBE)

**Dividend Yield: 5.0%**

**5-Year Expected Annual Total Returns: 9.8%**

### Overview & Current Events

CubeSmart is a self-managed REIT that owns, operates, manages, acquires, and develops self-storage properties in the United States. CubeSmart owns 631 self-storage properties, totaling 45.8 million rentable square feet in the District of Columbia and 25 states. In addition, the company manages 902 stores for third parties. Thus, the total number of stores that it owns and/or manages is 1,533. The company is based in Malvern, Pennsylvania and has a market capitalization of \$9.6 billion.

On February 27<sup>th</sup>, 2025, CubeSmart reported its Q4 results for fiscal 2024. Revenue grew 1.0 % over the prior year's quarter thanks to property acquisitions and a larger number of managed properties.

Same-store revenue fell 1.6% due to a decline in same-store occupancy from 90.3% to 89.3%. Thus, same-store net operating income dipped 3.7%, with the decline compounded further due to a 4.7% increase in same-store property operating expenses. Funds from operations (FFO) per share decreased 3%, from \$0.70 to \$0.68, in line with the analysts' consensus. Management provided cautious guidance for 2025, expecting FFO per share of \$2.50-\$2.59. At the midpoint, this guidance implies a 3% decrease.

### Safety & Dividend Risk Analysis

CubeSmart's dividend is reasonably safe. Based on projected 2025 adjusted funds from operations (AFFO), the 2024 payout ratio is 82%, which is reasonable for a REIT. The fact that the company's properties are located in prime markets with good visibility and robust growth potential is an advantage.

The REIT has managed to raise its dividend every year since 2009. The dividend was reduced in 2009, calling into question CubeSmart's recession resiliency in the event of a severe and protracted recession. But the company did navigate the pandemic well, with new all-time high AFFO per share in both 2020 and 2021.

### Growth, Value & Expected Total Return Analysis

CubeSmart has achieved notable revenue and AFFO per share growth through its focus on lucrative properties, followed by operational efficiencies coupled with low-cost financing. The company has grown its AFFO per share every single year over the last decade, with the exception of a 2% decrease in 2024, at an 8.8% average annual rate. This is a strong performance record for a REIT.

We expect AFFO per share to grow by 6.0% per year on average over the next five years, weighed down by high interest rates. Based on expected 2025 AFFO per share of \$2.55, CubeSmart is trading for a price-to-AFFO ratio (P/AFFO) of 16.5, which is higher than our fair value P/AFFO estimate of 16.0. If the stock trades at fair valuation level in five years, it will incur a 0.6% annualized valuation drag. Given 6.0% growth of AFFO per share, a 5.0% dividend yield, and a 0.6% drag from valuation multiple compression, we expect total returns of 9.8% per year over the next five years.

# Alexandria Real Estate Equities Inc. (ARE)

**Dividend Yield:** 5.2%

**5-Year Expected Annual Total Returns:** 15.4%

## Overview & Current Events

Alexandria Real Estate Equities is a real estate investment trust that owns and manages life science, technology, and agtech campuses across North America. It was formed in 1994 and is named after Alexandria, Egypt, in honor of the scientific capital of the ancient world. The company focuses on high-quality properties in prime locations such as Boston, San Francisco, New York, San Diego, Seattle, Maryland, and the Research Triangle. The REIT has a \$17 billion market capitalization.

On January 27<sup>th</sup>, 2025, Alexandria reported its fourth-quarter and full-year results for the period ending December 31<sup>st</sup>, 2024. The company posted \$789 million in revenue for the quarter, reflecting a 4.2% increase compared to Q4 2023. Adjusted funds from operations (AFFO) reached \$412 million, or \$2.39 per share, up from \$390 million, or \$2.28 per share, in the prior-year quarter. For the year, AFFO per share hit a record of \$9.47.

Alexandria ended the period with \$5.7 billion in liquidity, while over 50% of its tenant base comprises investment-grade or publicly traded large-cap companies.

Alexandria also introduced its 2025 guidance, projecting AFFO in the range of \$9.23 to \$9.44 per share. The midpoint of \$9.33 would imply a year-over-year decline of 1.5%.

## Safety & Dividend Risk Analysis

Alexandria's competitive advantage stems from its focus on quality properties in prime locations in a needed and growing industry. Furthermore, the REIT employs a unique "cluster model" that prioritizes proximity to world-class academic institutions, leading scientific and managerial talent, and sophisticated investment capital.

Alexandria has paid increasing dividends for 14 consecutive years. The trust reduced its dividend in 2009 at the height of the Great Recession but has since increased it each year. It did not exceed its annual dividend payments from 2008 until 2016. But since 2016, Alexandria has delivered new dividend per share highs every year, including through COVID. With a conservative payout ratio of just 57% of projected fiscal 2025 AFFO, Alexandria's dividend is likely to continue growing, absent a prolonged recession.

## Growth, Value & Expected Total Return Analysis

Alexandria leverages its distinct cluster model to drive continued growth. This, combined with new developments and advances in life science, should provide a long runway for growth. Moving forward we believe Alexandria can continue to grow at a reasonable pace and we are expecting 5.0% intermediate-term growth.

Alexandria trades at 11.0 times our projected 2025 AFFO per share of \$9.33. Our fair value estimate for Alexandria is a P/AFFO ratio of 15.0. Therefore, we view the REIT as undervalued. A rising P/AFFO multiple could increase shareholder returns by 6.5% per year, adding to the 5.2% dividend yield and 5.0% annual AFFO per share growth. Based on these factors, we expect strong annualized total returns of 15.4% over the next five years.



## Postal Realty Trust Inc. (PSTL)

**Dividend Yield:** 7.1%

**5-Year Expected Annual Total Returns:** 11.2%

### Overview & Current Events

Postal Realty Trust focuses on acquiring and managing properties leased exclusively to the United States Postal Service (USPS), ranging from last-mile post offices to larger industrial facilities. The company is the USPS' largest lessor, having an interest in 1,720 real estate properties located in 49 states, totaling approximately 6.5 million net leasable interior square feet. The REIT has an impressive occupancy rate of 99.8%. Postal Realty also manages an additional 360 properties and has a right of first offer to purchase them. Postal Realty recorded revenues of \$76 million last year. The company is based in Cedarhurst, New York.

On February 26<sup>th</sup>, 2025, Postal Realty reported its Q4 results for fiscal 2024. Revenue grew 25% over the prior year's quarter thanks to higher rental income and higher fee income. The growth in rental income was, in turn, driven by the company's acquisition spree over the past four quarters. The company acquired 197 properties last year, including 63 properties in the fourth quarter. Adjusted funds from operations (FFO) per share grew 46%, from \$0.24 to \$0.35.

Management continued to execute its aggressive acquisition strategy subsequent to the quarter, acquiring an additional 18 properties. The company has another 14 properties totaling approximately \$8.9 million under definitive contracts. The REIT has provided guidance for FFO per share of \$1.20-\$1.22 this year.

### Safety & Dividend Risk Analysis

The benefits of having USPS as your sole tenant make for some great competitive advantages. Postal Realty has sector leading occupancy rates and bill collection rates of essentially 100%.

Postal Realty has a short history record, but it is likely to prove resilient whenever the next recession shows up thanks to the financial strength of its sole tenant. The stock is offering an attractive 7.1% dividend yield, which is much higher than the 4.7% median dividend yield of the REIT sector. However, we note that the payout ratio is elevated at 81% while the REIT also has a somewhat weak balance sheet, with a leverage ratio (Net Debt to EBITDA) of 5.2x. While this ratio is not extreme, it is above our comfort max of 4.0x.

### Growth, Value & Expected Total Return Analysis

Postal Realty has been growing through acquiring and consolidating properties leased to the United States Postal Service. Growth from lease renewals at higher rates over time should also contribute to growth, as renewing a lease is a more attractive economic alternative than moving for USPS, even if it comes at a higher rate.

Postal Realty is trading at 11.5 times expected FFO per share of \$1.21. Our fair value estimate for the stock is a P/FFO ratio of 13.0. A rising P/FFO multiple could increase shareholder returns by 2.5% per year. Given also 3% expected growth of FFO per share and the 7.1% dividend yield, we expect annualized total returns of 11.2% until 2030.

## **Rexford Industrial Realty Inc. (REXR)**

**Dividend Yield:** 4.2%

**5-Year Expected Annual Total Returns:** 14.7%

### **Overview & Current Events**

Rexford Industrial Realty is a REIT that operates and redevelops industrial properties throughout infill Southern California. The REIT was founded in 2001, became public in 2014 and currently has 425 properties with a total rentable area of 51 million square feet. It has a market capitalization of \$9.5 billion.

Rexford Industrial enjoys strong business tailwinds thanks to its exclusive focus on infill Southern California, which is the fourth largest industrial market in the world and the largest industrial market in the U.S. This region has a GDP of \$1.8 trillion, making it the 11th largest in the world. It is characterized by an extremely low vacancy rate of less than 3.0%, along with markedly high demand and a low supply of new properties. As a result, it offers strong pricing power to the REIT.

On February 5<sup>th</sup>, 2025, Rexford Industrial reported Q4 results for fiscal 2024. Same-property net operating income grew 2.2% over the prior year's quarter, primarily thanks to growth in rental rates. Core funds from operations (FFO) per share grew 4%, in line with the analysts' consensus. The REIT has not missed the analysts' FFO estimates for 24 consecutive quarters. It has provided guidance for FFO per share of \$2.37-\$2.41 in 2025. Given the record of beating estimates, we expect FFO per share of \$2.41 this year, at the high end of the guidance.

### **Safety & Dividend Risk Analysis**

Rexford Industrial is offering a 4.2% dividend yield, which is lower than the 4.7% median dividend yield of the REIT sector. However, investors should not dismiss this high-quality REIT for this reason. The REIT has grown its dividend by 14% per year on average over the last decade. It also has one of the strongest balance sheets in the REIT sector, with an interest coverage ratio of 3.7 and net debt of \$3.7 billion, which is only 39% of the market capitalization. Thanks to its pristine balance sheet and its reliable growth trajectory, Rexford Industrial is likely to keep raising its dividend for many more years. In contrast to most REITs, which are burdened by high interest expenses from elevated interest rates, Rexford Industrial enjoys a low interest expense.

### **Growth, Value & Expected Total Return Analysis**

Rexford Industrial greatly benefits from operating in infill Southern California, the largest industrial market in the U.S, which is characterized by strong demand and low supply of new properties and has one of the lowest vacancy rates in the country (2.8% vs. an average of 5.5%). The REIT has grown its FFO per share by 12.4% per year on average over the last decade and hence it is one of the highest-growth REITs.

The stock is trading at a price-to-FFO ratio of 17.0, below our fair value estimate of 20.0. This valuation gap presents an opportunity for a 3.3% annualized valuation tailwind over the next five years. Given also 8% expected growth of FFO per share and the 4.2% dividend, the REIT could offer a 14.7% total annual return over the next five years.

## American Assets Trust Inc. (AAT)

**Dividend Yield:** 6.2%

**5-Year Expected Annual Total Returns:** 13.8%

### Overview & Current Events

American Assets Trust is a REIT that was formed in 2011 as a successor of American Assets, a privately held company founded in 1967. AAT has great experience in acquiring, improving, and developing office, retail, and residential properties throughout the U.S., with a primary focus on Southern California, Northern California, Oregon, Washington, and Hawaii. Its office portfolio and its retail portfolio comprise of about 4.1 million and 3.1 million square feet, respectively. AAT also owns more than 2,100 multifamily units and has a market capitalization of \$1.7 billion.

On February 4<sup>th</sup>, 2025, AAT reported its Q4 results for fiscal 2024. It grew its same-store net operating income 3% over the prior year's quarter but its funds from operations (FFO) per share dipped 4% due to increased interest expense. Due to this headwind, AAT provided weak guidance for 2025, expecting FFO per share of \$1.87-\$2.01. We note that AAT has beaten the analysts' estimates for 16 consecutive quarters, but we expect FFO per share of \$1.95 this year, in line with the guidance of management. If our estimate proves correct, it will mark a 24% decrease vs. 2024. We also note that the REIT appears somewhat resilient to high inflation thanks to its ability to raise rental rates every year. AAT has raised its dividend by 1.5% this year.

### Safety & Dividend Risk Analysis

Many of AAT's properties are situated in infill locations, where developable land is limited, and zoning regulations impose significant restrictions on new development. Moreover, its submarkets in Southern California, Northern California, Oregon, Washington, and Hawaii are characterized by high barriers to entry, which offer the REIT strong negotiating power with its tenants and enable it to implement rent hikes every year.

AAT is offering a dividend yield of 6.2%, which is higher than the 4.7% median dividend yield of the REIT sector. The payout ratio is reasonable at 70% but we are concerned about the low interest coverage ratio of 2.0, which is much less than our comfort minimum of 3.0. However, AAT has received investment grade ratings from the major rating firms.

### Growth, Value & Expected Total Return Analysis

AAT pursues growth by acquiring properties in submarkets with favorable supply and demand characteristics, including high barriers to entry. It also redevelops several of its properties to enhance their value. Thanks to these growth drivers, AAT has grown its FFO per share at a 4.3% average annual rate over the last decade. We expect the REIT to grow its FFO per share by 4.0% per year on average until 2030.

Based on expected 2025 FFO per share of \$1.95, the stock trades for a price-to-FFO ratio (P/FFO) of 11.3, which is lower than its 7-year average of 14.7. An expanding P/FFO multiple could boost shareholder returns by 5.4% per year. When combined with the 6.2% dividend yield and 4% growth of FFO per share, we expect total returns of 13.8% per year over the next five years.

## CareTrust REIT Inc. (CTRE)

**Dividend Yield:** 4.4%

**5-Year Expected Annual Total Returns:** 11.9%

### Overview & Current Events

CareTrust REIT is a self-administered REIT that acquires, develops, and leases skilled nursing, seniors housing, and other healthcare properties. The company's 406 property real estate portfolio comprises 317 skilled nursing facilities, 32 campuses, 51 assisted living facilities, and 6 independent living facilities which consist of 42,670 operating beds and units located in 34 states. Most locations are situated in California, Texas, Louisiana, Idaho, and Arizona. Revenue is generated primarily through leasing healthcare properties to healthcare operators in triple-net lease arrangements, where the tenant is solely responsible for the costs related to the property including taxes, maintenance, and repairs. CareTrust REIT was spun off as a REIT in 2014 with 97 properties from The Ensign Group, which was formed in 1999. The trust has a market capitalization of \$5.0 billion and is headquartered in San Clemente, California.

On February 12<sup>th</sup>, 2025, CareTrust REIT reported Q4 results for fiscal 2024. Normalized funds from operations (FFO) surged 68% over the prior year's quarter but normalized FFO per share grew only 11% due to hefty issuance of shares. Normalized funds available for distribution (FAD) per share grew 11% and represented a 71% payout ratio for the quarter. The REIT issued strong guidance for FFO per share of \$1.68-\$1.72 in 2025, implying 17% growth at the midpoint. We expect 2025 FFO per share to come in at \$1.74, slightly ahead of management's top guidance figure.

### Safety & Dividend Risk Analysis

CareTrust REIT has a similar strategy to other healthcare REITs, but it maintains that its competitive strength lies in its geographically diverse property portfolio across 34 different states, its long-term, triple-net lease structure, which places many expenses on the operators rather than the trust, and its ability to identify talented operators with which to partner. As a healthcare REIT, CareTrust REIT has good chances of proving resilient to the next recession, as demand for healthcare hardly decreases even during economic downturns. Notably, CareTrust REIT has one of the strongest balance sheets in the REIT sector, with a leverage ratio (Net Debt to EBITDA) of only 0.5x. This bodes very well for the resilience of the REIT to downturns and the safety of its 4.4% dividend, which is also secured by a healthy payout ratio of 67%.

### Growth, Value & Expected Total Return Analysis

CareTrust REIT has grown its FFO per share by 5.3% and 3.7% per year on average over the past nine and five years, respectively. Unfortunately, performance has been somewhat volatile. However, thanks to accelerated business momentum, we expect CareTrust to grow its FFO per share by 7.5% per year on average over the next five years.

The stock is trading at 15.2 times its expected FFO in 2025, slightly below our fair multiple of 16.0 times FFO. This implies a potential 1.0% annual boost to total returns thanks to a valuation adjustment. When combined with the 4.4% yield and our 7.5% growth estimate, potential total returns could be 11.9% per year over the next five years.

## **NexPoint Residential Trust Inc. (NXRT)**

**Dividend Yield:** 5.0%

**5-Year Expected Annual Total Returns:** 11.3%

### **Overview & Current Events**

NexPoint Residential Trust is a REIT focused on acquiring, owning, and operating middle-income multifamily properties with value-add potential in major cities, primarily in the Southeastern and Southwestern U.S. This value-add strategy involves investing capital to enhance lifestyle amenities for workforce and middle-income housing, aiming to create improved communities for residents and deliver strong returns for shareholders. Currently, the REIT holds investments in 35 multifamily properties, with its highest exposure in Phoenix, South Florida, and Dallas/Fort Worth.

On October 29<sup>th</sup>, 2024, NexPoint Residential raised its dividend by 10.3% to a quarterly rate of \$0.51.

On February 25<sup>th</sup>, 2025, NexPoint Residential Trust reported its Q4 results for fiscal 2024. The company saw its revenue decrease 7% over the prior year's period, primarily due to the disposition of three properties during 2024, which reduced the number of revenue-generating assets in the portfolio. However, same-store revenue rose 2.0%, demonstrating resilience in the properties that remained in the portfolio. Adjusted funds from operations (AFFO) per share declined 7%, from \$0.84 to \$0.78, due to the sale of assets and increased interest expense amid high interest rates. Management issued modest guidance for 2025, expecting AFFO per share of \$3.09. This implies a 3% decrease.

### **Safety & Dividend Risk Analysis**

Due to the premium which NexPoint Residential Trust charges for its enhanced amenities, the company's performance is closely tied to the financial health of middle- to high-income residents. In periods of economic downturn, declines in residents' financial stability could affect NexPoint more severely than its more budget-friendly, value-oriented competitors in the residential market.

NexPoint Residential Trust has consistently raised its dividend for nine consecutive years and now offers a competitive 5.0% yield, supported by a healthy payout ratio of 66%. However, we note that interest expense is nearly twice as much as operating income. If interest rates remain high for years, they are likely to exert pressure on the REIT.

### **Growth, Value & Expected Total Return Analysis**

Since it became public in its current form, in 2015, NexPoint Residential Trust has grown its FFO per share at a fast pace, from \$1.41 in 2015 to \$3.19 in 2024. However, due to high interest rates, the REIT is poised to incur a decline in FFO for a third year in a row this year. Still, we expect interest rates to deflate to normal levels in the upcoming years.

With strong demand from affluent consumers for its high-end properties, we project 4.0% annual FFO per share growth over the next five years. The REIT trades at a price-to-FFO ratio of 13.3, below our fair multiple of 15.0, which could drive a 2.5% annual boost to returns if the valuation aligns. Combined with a 5.0% dividend yield, we expect the REIT to deliver an 11.3% total annual return over the next five years.

## Ranking Procedure

The method we use to compute the rankings for the Top 10 REITs is as follows:

**Note:** Rankings are done using [Sure Analysis Research Database](#) data. We typically create our rankings using data from the Wednesday before the special report publishes.

1. Exclude all non-REITs.
2. Exclude all international REITs.
3. Exclude all REITs with less than 5 years of consecutive dividend increase.
4. Sort by Dividend Risk Score, highest to lowest.
5. Filter for expected total returns above that of the S&P 500.
6. Sort each Dividend Risk Score group by expected total return, from highest to lowest.
7. Manually review each REIT for safety. The review process looks at dividend history, payout ratio, and qualitative factors.

Our expected total returns are calculated in the [Sure Analysis Research Database](#). They are based on expected returns over the next five years. Our expected total returns take into account dividends, growth, and valuation returns.

We compare all the 885+ securities in Sure Analysis – including 86 REITs – to one another using the same expected total return framework. This means we can compare the REITs in our database to one another on an “apples-to-apples” basis. This is necessary to create the rankings in the Top 10 REITs service.

Note that our expected total returns are based on the idea that the economy will continue forward “as is” for the foreseeable future, and not encounter a recession. Recessions happen, of course, and we seek to recommend securities likely to pay steady or rising dividends during recessions.

COVID-19 was especially hard on REITs in general. As a result, 2020 and 2021 represent excellent “test years” to show the dividend safety of REITs even in an extremely difficult operating environment. Avoiding REITs that reduced their dividends in 2020 or 2021 serves as a helpful screen in identifying REITs likely to pay steady or rising dividends into the future.

The goal of our Top 10 REITs service is to find REITs that have solid dividend yields, provide reasonable safety, the likelihood of steady or rising dividends in the future, and that offer solid expected total returns ahead. We believe the ranking procedure outlined above combined with our extensive research done in the [Sure Analysis Research Database](#) identifies securities very likely to match these characteristics going forward.

## REIT Tax Guide

The organizational form of a company is important for tax purposes because it determines how efficiently a company can return money to investors. An example is below.

**Example:** Imagine a company makes \$10, pre-tax, and distributes 100% to investors. The image below shows how much of the \$10 would go to investors using standard assumptions if the \$10 was earned and distributed by a corporation versus a REIT:

**Note:** The table below assumes that 70% of REIT payments are ordinary income; and capital gains and return of capital each make up 15% of REIT payments.

Corporation		REIT	
Pre-Tax Income	\$10.00	Distributable Cash	\$10.00
Corporate Income Tax	-\$2.10	<b>After-Tax Funds From Operations</b>	<b>\$10.00</b>
<b>After-Tax Income</b>	<b>\$7.90</b>	Ordinary Income Tax @37%	-\$2.07
Qualified Dividend Tax	-\$1.58	Capital Gains Tax @20%	-\$0.30
<b>Dividend After Tax</b>	<b>\$6.32</b>	Return of Capital Tax @20%	-\$0.30
		<b>Distribution After Taxes</b>	<b>\$7.33</b>

Note that REITs avoid double taxation because they *are not taxed at the organization level*. REITs are in between MLPs and Corporations in terms of both complexity and tax-advantages. REITs are required to pay out 90%+ of their income.

REITs are organized as trusts. As a result, “shareholders” are actually unit holders.

REITs issue 1099 forms (just like corporations) instead of K-1 forms (like MLPs do). Unit holders technically receive distributions, not dividends (just like MLPs). REIT distributions fall into three categories: ordinary income, return of capital, and capital gains.

Ordinary income is taxed at your ordinary income tax rate; up to 37%. Note: these distributions may benefit from a 20% deduction in qualified business income. Return of capital reduces your *cost basis* (your purchase price for the security, which increases capital gains tax when you sell). Capital gains are taxed at either short-term or long-term capital gains rates.

The percentage of distributions from these three sources varies by REIT. In general, ordinary income tends to be the majority of the distribution. Expect around 70% of distributions as ordinary income, 15% as a return of capital, and 15% as capital gains.

REITs are best suited for retirement accounts because the majority of their payments are taxed as ordinary income. Retirement accounts remove this negative and make REITs very tax advantageous. This doesn’t mean you should never own a REIT in a taxable account. A good investment is a good investment, regardless of tax issues. But if you have the choice, REITs should be placed in a retirement account such as an IRA or 401k.

## List of REITs By Expected Total Returns

Each of the REITs in the *Sure Analysis Research Database* are sorted below (from highest to lowest) by expected 5-year total returns using data from the [Sure Analysis Research Database](#). Dividend yield is included next to each REIT's ticker symbol.

Click on the name of any REIT below to go to that REIT's Sure Analysis page (if you are a member of the [Sure Analysis Research Database](#)).

- |                                                        |                                                     |
|--------------------------------------------------------|-----------------------------------------------------|
| 1. Community Healthcare Trust Inc (CHCT): 10.1%        | 39. LTC Properties, Inc. (LTC): 6.3%                |
| 2. Ellington Credit Co. (EARN): 15%                    | 40. Kite Realty Group Trust (KRG): 4.8%             |
| 3. Innovative Industrial Properties Inc (IIPR): 10.5%  | 41. EPR Properties (EPR): 6.6%                      |
| 4. Alexandria Real Estate Equities Inc. (ARE): 5.2%    | 42. Prologis Inc (PLD): 3.3%                        |
| 5. Clipper Realty Inc (CLPR): 8.4%                     | 43. Urban Edge Properties (UE): 3.7%                |
| 6. Rexford Industrial Realty Inc (REXR): 4.2%          | 44. Agree Realty Corp. (ADC): 4.1%                  |
| 7. PennyMac Mortgage Investment Trust (PMT): 11%       | 45. UMH Properties Inc (UMH): 4.6%                  |
| 8. Plymouth Industrial Reit Inc (PLYM): 5.6%           | 46. Highwoods Properties, Inc. (HIW): 6.9%          |
| 9. American Assets Trust Inc (AAT): 6.2%               | 47. EastGroup Properties, Inc. (EGP): 3%            |
| 10. Healthpeak Properties Inc. (DOC): 6%               | 48. Four Corners Property Trust Inc (FCPT): 4.8%    |
| 11. Chimera Investment Corp (CIM): 10.6%               | 49. Weyerhaeuser Co. (WY): 2.7%                     |
| 12. Easterly Government Properties Inc (DEA): 9.5%     | 50. Brixmor Property Group Inc (BRX): 4.2%          |
| 13. CareTrust REIT Inc (CTRE): 4.4%                    | 51. First Industrial Realty Trust, Inc. (FR): 3.1%  |
| 14. Netstreit Corp (NTST): 5.7%                        | 52. Equity Lifestyle Properties Inc. (ELS): 3%      |
| 15. Postal Realty Trust Inc (PSTL): 7.1%               | 53. Terreno Realty Corp (TRNO): 2.9%                |
| 16. Arbor Realty Trust Inc. (ABR): 13.8%               | 54. Realty Income Corp. (O): 5.5%                   |
| 17. LXP Industrial Trust (LXP): 5.9%                   | 55. W. P. Carey Inc (WPC): 5.4%                     |
| 18. NexPoint Residential Trust Inc (NXRT): 4.9%        | 56. Blackstone Mortgage Trust Inc (BXMT): 9.4%      |
| 19. VICI Properties Inc (VICI): 5.3%                   | 57. Kimco Realty Corporation (KIM): 4.6%            |
| 20. COPT Defense Properties (CDP): 4.5%                | 58. Sun Communities, Inc. (SUI): 2.8%               |
| 21. Kilroy Realty Corp. (KRC): 6.4%                    | 59. Equity Residential Properties Trust (EQR): 3.7% |
| 22. Alpine Income Property Trust Inc (PINE): 6.9%      | 60. One Liberty Properties, Inc. (OLP): 6.9%        |
| 23. SBA Communications Corp (SBAC): 2%                 | 61. Gladstone Commercial Corp (GOOD): 7.6%          |
| 24. NNN REIT Inc (NNN): 5.4%                           | 62. Independence Realty Trust Inc (IRT): 3%         |
| 25. Equinix Inc (EQIX): 2%                             | 63. Whitestone REIT (WSR): 3.9%                     |
| 26. CubeSmart (CUBE): 4.9%                             | 64. Mid-America Apartment (MAA): 3.6%               |
| 27. STAG Industrial Inc (STAG): 4%                     | 65. AvalonBay Communities Inc. (AVB): 3.1%          |
| 28. American Tower Corp. (AMT): 3.1%                   | 66. Gladstone Land Corp (LAND): 4.7%                |
| 29. Universal Health Realty Income Trust (UHT): 7.1%   | 67. Simon Property Group, Inc. (SPG): 4.6%          |
| 30. Essential Properties Realty Trust Inc (EPRT): 3.7% | 68. Iron Mountain Inc. (IRM): 3.6%                  |
| 31. National Storage Affiliates Trust (NSA): 5.9%      | 69. Choice Properties Real Estate (PPRQF): 5.7%     |
| 32. National Healthcare Corp. (NHC): 2.6%              | 70. Modiv Industrial Inc (MDV): 7.4%                |
| 33. AGNC Investment Corp (AGNC): 14%                   | 71. Regency Centers Corporation (REG): 3.7%         |
| 34. UDR Inc (UDR): 3.8%                                | 72. Camden Property Trust (CPT): 3.4%               |
| 35. Getty Realty Corp. (GTY): 6%                       | 73. Sabra Healthcare REIT Inc (SBRA): 7%            |
| 36. Gaming and Leisure Properties Inc (GLPI): 6%       | 74. Invitation Homes Inc (INVH): 3.4%               |
| 37. American Homes 4 Rent (AMH): 3.2%                  | 75. Federal Realty Investment Trust. (FRT): 4.2%    |
| 38. Public Storage. (PSA): 3.9%                        | 76. Acadia Realty Trust (AKR): 3.5%                 |



- 77. Essex Property Trust, Inc. (ESS): 3.3%
- 78. ARMOUR Residential REIT Inc (ARR): 15.4%
- 79. Tanger Inc. (SKT): 3.1%
- 80. Phillips Edison & Company Inc (PECO): 3.3%
- 81. Rayonier Inc. (RYN): 4.2%
- 82. Lamar Advertising Co (LAMR): 5%
- 83. Dynex Capital, Inc. (DX): 14.5%
- 84. Orchid Island Capital Inc (ORC): 17.2%

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### Disclaimer

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