BSR Real Estate Investment Trust (BSRTF)

Published April 4th, 2025 by Kody Kester

Key Metrics

Current Price:	$12.50	**5 Year Annual Expected Total Return:**	10.7%	**Market Cap:**	$418M
Fair Value Price:	$14.45	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	04/30/25
% Fair Value:	87%	**5 Year Valuation Multiple Estimate:**	2.9%	**Dividend Payment Date:**	05/15/25
Dividend Yield:	4.5%	**5 Year Price Target**	$17.51	**Years Of Dividend Growth[2]:**	3
Dividend Risk Score:	F	**Sector:** Real Estate		**Rating:**	Hold

Overview & Current Events

BSR Real Estate Investment Trust as it's known today was formed in 2012 when it was formally established as a REIT in 2012. However, the company's history dates to Little Rock Arkansas with the formation of Bailey Corporation in 1956.

As of April 1st, 2025, the company owned and managed 29 garden-style multi-family communities totaling just over 8,000 units. The properties are suburban class A and class B apartments that are strategically positioned in demographically and economically thriving Sunbelt cities. These include Dallas, Houston, Austin, and Oklahoma City, which collectively made up 96% of BSRTF's total units.

The idea is that being concentrated in markets in which annual rent as a percentage of median income is low is that this will translate into higher occupancy. The latest data demonstrates that annual rent as a percentage of median household income nationally is 26.4%. In BSRTF's markets, this ranges from as low as 17.8% in Oklahoma City to a still affordable ratio of just 21.2% in Dallas. That approach is paying off for BSRTF. This is evidenced by the fact that the company's weighted average occupancy to close out 2024 improved by 30 basis points to a robust 95.6% rate.

BSRTF's approach was further validated by a pending transaction recently. In February, the company announced the sale of roughly 2,700 units to AvalonBay Communities for $618.5 million. BSRTF sold 30% of its assets for about 40% of the market value of its total portfolio, which shows the assets in its portfolio are greater than its unit price.

On March 5th, BSRTF shared its financial results for the fourth quarter ended December 31st, 2024. The company's total revenue edged 0.2% higher over the year-ago period to $42.2 million during the quarter. Higher other property income offset a slight decline in average rent per unit as new supply temporarily pressured rent. BSRTF's AFFO per unit decreased by 9.1% year-over-year to $0.20 in the quarter. That was due to the timing and treatment of tax refunds received in the back half of 2023.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
AFFOPS	-	-	-	$0.39	$0.65	$0.56	$0.59	$0.80	$0.85	$0.88	***$0.85***	***$1.03***
DPS	-	-	-	$0.31	$0.50	$0.50	$0.50	$0.52	$0.52	$0.54	***$0.56***	***$0.68***
Units[3]	-	-	-	16.6	22.3	23.9	31.2	36.3	33.1	33.4	***33.4***	***46.6***

Since its IPO in 2018, BSRTF's AFFO per unit has gradually made its way higher. In the years to come, we believe that the company's AFFO per unit can rise by 4% annually. This is because the company as new supply again dwindles in its major markets, that should help market rent per square foot to continue growing at a mid-single-digit clip annually. The divestiture of properties to AvalonBay will result in a modest decline in the company's AFFO per unit temporarily, but it should bounce back in 2026 and beyond.

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[1] Estimated dates based on past dividend dates.
[2] In its original Canadian Dollar declaration.
[3] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/AFFO	-	-	-	19.2	18.0	20.3	30.2	16.4	14.0	13.8	***14.7***	***17.0***
Avg. Yld.	-	-	-	4.1%	4.3%	4.4%	2.8%	4.0%	4.4%	4.5%	***4.5%***	***3.9%***

Since 2018, BSRTF's P/AFFO ratio has ranged from as low as the low-teens to as high as the low-30s. Over that time, the average P/AFFO ratio was nearly 19. Moving forward, interest rates are probably going to remain a bit above where they have been over the last seven years. This is why we believe that fair value would be one standard deviation below the average P/AFFO ratio, which would work out to a fair value multiple of 17. Compared to the current multiple of 14.7, that would represent a moderate undervaluation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	-	79%	77%	89%	85%	65%	61%	61%	***66%***	***66%***

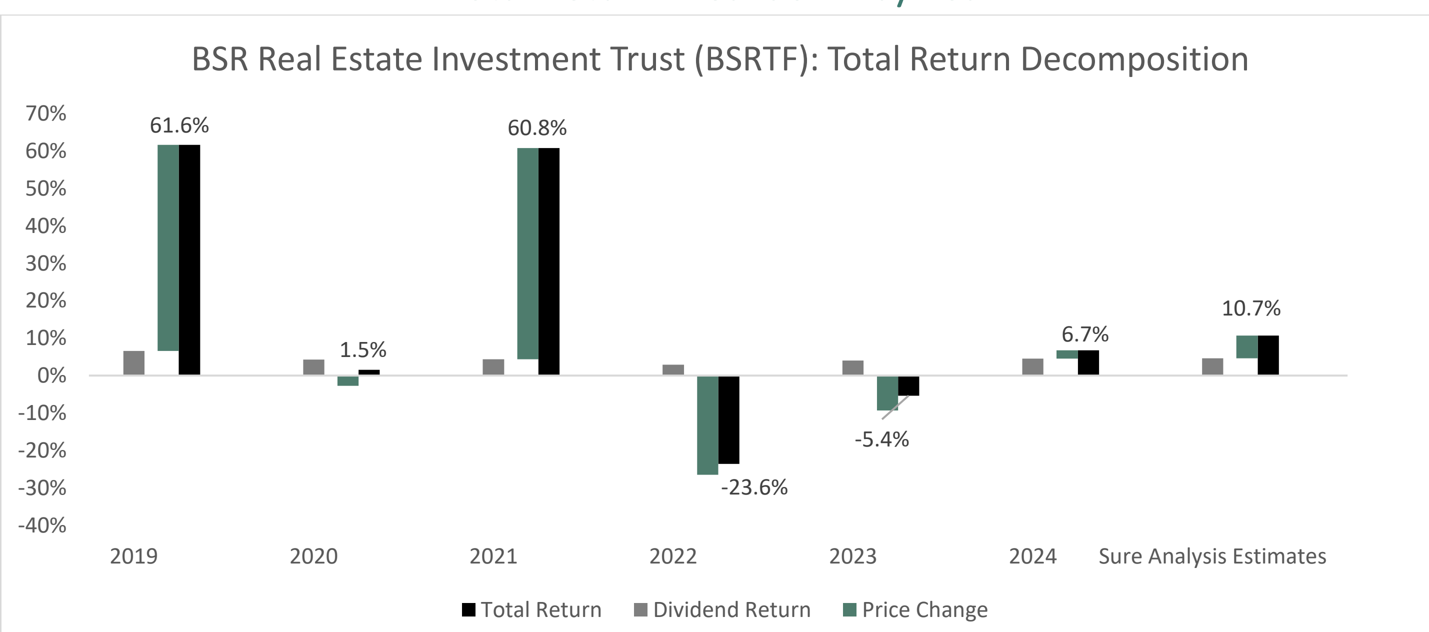
BSRTF enjoys a couple of notable competitive advantages. For one, the company's presence in metropolitan Sunbelt areas leads to steady demand for its properties. Additionally, the company is internally managed. That lowers external fees and allows BSRTF to make quick and cost-effective decisions.

BSRTF's debt to gross book value ratio after the disposition to AvalonBay would be approximately 38%. The company also had $136 million in liquidity to close out 2024. For these reasons, I would argue that BSRTF's balance sheet is sound. Lastly, the company's dividend payout ratio is set up to be in the mid-60% range in 2025. This should give it the flexibility to grow the dividend at a mid-single-digit rate annually in the years ahead.

Final Thoughts & Recommendation

BSRTF's 4.5% yield, 4.0% annual AFFO per unit growth prospects, and 2.9% annual valuation multiple expansion potential could produce 10.7% annual total returns over the medium term. However, the company lacks the history of consistent dividend growth that we prefer to warrant a buy rating. Thus, we're initiating coverage with a hold rating.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue				64	112	113	120	159	168	169
Gross Profit				39	61	60	66	86	91	92
Gross Margin				60.1%	54.4%	53.3%	54.9%	53.9%	54.3%	54.5%
SG&A Exp.				4	8	8	11	9	10	10
D&A Exp.				-	0	0	0	0	0	0
Operating Profit				35	53	52	54	76	81	82
Operating Margin				54.1%	47.3%	46.2%	45.3%	47.9%	48.3%	48.5%
Net Profit				144	(53)	28	283	227	(211)	(40)
Net Margin				225%	-47.6%	24.3%	237%	143%	-126%	-23.9%
Free Cash Flow				31	57	51	58	90	83	79

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets				969	1,123	1,114	1,948	2,063	1,826	1,783
Cash & Equivalents				8	37	5	7	7	7	9
Accounts Receivable				0	0	0	0	3	0	0
Total Liabilities				680	838	795	1,282	1,088	1,114	1,125
Accounts Payable				0	1	1	1	50	1	1
Long-Term Debt				471	542	518	878	769	813	829
Shareholder's Equity				289	285	319	667	976	712	658
LTD/E Ratio				1.63	1.90	1.62	1.32	0.79	1.14	1.26

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets					-5.1%	2.5%	18.5%	11.3%	-10.8%	-2.2%
Return on Equity					-18.6%	9.1%	57.5%	27.7%	-25.0%	-5.9%
ROIC					-6.7%	3.3%	23.8%	13.8%	-12.9%	-2.7%
Shares Out.				16.6	22.3	23.9	31.2	36.3	33.1	33.4
Revenue/Share				3.87	5.00	4.75	3.83	4.37	5.06	5.05
FCF/Share				1.86	2.55	2.15	1.87	2.47	2.51	2.38

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