



Flagship Communities Real Estate Investment Trust (MHCUF)

Updated April 3rd, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$17.00	5 Year Annual Expected Total Return:	7.2%	Market Cap:	\$421.3 M
Fair Value Price:	\$16.90	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	03/31/2025
% Fair Value:	101%	5 Year Valuation Multiple Estimate:	-0.1%	Dividend Payment Date:	04/15/2025
Dividend Yield:	3.6%	5 Year Price Target	\$20.56	Years Of Dividend Growth:	4
Dividend Risk Score:	D	Sector:	Real Estate	Rating:	Hold

Overview & Current Events

Flagship Communities is a U.S.-focused real estate investment trust specializing in owning and operating manufactured housing communities (MHCs) and recreational vehicle (RV) resorts. At the end of last year, the REIT owned a portfolio of 82 MHCs and 2 RV resort communities, totaling 15,137 lots. Its properties are located in eight U.S. states, with a notable presence in key markets like Louisville, Cincinnati, and Evansville. The REIT aims to provide predictable and sustainable cash distributions by growing its portfolio through strategic acquisitions and the conversion of rental homes to tenant-owned homes. The REIT pays distributions on a monthly basis. It reports its financials in USD, despite its Canadian origin. The stock trades at a market cap of \$421.3 million.

On March 12th, 2025, Flagship Communities reported its Q4 and full year results for the period ending December 31st, 2024. Revenue for the quarter rose by 26.6% to \$23.75 million, driven by increases in lot rents, higher occupancy, and the contribution from recent acquisitions. Same-community revenue grew by 15.5%, reflecting strong performance across the portfolio. Rent collections were strong at 98.9%, and overall portfolio occupancy was 83.5%.

NOI grew by 28.1% to \$15.94 million, with an NOI margin of 67.1%. Funds from Operations increased by 30.6% to \$9.65 million. On a per unit basis, FFO was \$0.384. For the year, FFO per share reached \$1.29. For fiscal 2025, we expect FFO per share of \$1.30.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO	---	---	---	---	---	\$0.88	\$1.03	\$1.08	\$1.19	\$1.29	\$1.30	\$1.58
DPS	---	---	---	---	---	\$0.47	\$0.51	\$0.54	\$0.57	\$0.60	\$0.62	\$0.75
Units¹	---	---	---	---	---	12.3	15.3	19.6	20.8	23.9	24.0	30.0

Since its inception in 2020, Flagship Communities has seen steady growth in its FFO per unit. The metric rose from \$0.88 in 2020 to \$1.29 in 2024. This growth was driven by its bold acquisition strategy, which has expanded its portfolio and positioned the REIT in key, high-demand U.S. markets. In 2021, FFO per unit grew to \$1.03, following the integration of newly acquired properties, while further increases in 2022 (\$1.08 USD) and 2023 (\$1.19 USD) were fueled by rent hikes, strong occupancy rates, and cost-effective management.

Looking forward, we expect modest 4% growth in FFO per share and dividends, driven by the REIT's defensive business model and a more cautious acquisition pace in the face of rising capital costs. Still, upside remains through continued rental growth, tenant conversion to homeownership, and targeted, accretive acquisitions in high-demand regions that management believes will be accretive to FFO on a per-unit basis.

The company has hiked its dividend consistently since its first payment in 2021, now featuring four consecutive years of dividend increases. During this period, the dividend has increased at a CAGR of 5.7%. Nevertheless, we have employed a softer growth expectation for the same reasons linked to FFO growth.

¹ 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/E	---	---	---	---	---	---	16.5	16.7	13.4	12.3	13.1	13.0
Avg. Yld.	---	---	---	---	---	---	3.0%	3.0%	3.6%	3.8%	3.6%	3.7%

Flagship Communities has a rather short history in the public markets. Its valuation has gradually been squeezed since 2022 as a result of rising interest rates that increased its cost of capital and financing. Today, we believe shares are more or less fairly valued close to 13 times FFOs. In the meantime, the dividend yield stands at 3.6%. We believe the yield is rather soft, especially at today's market environment. However, yields in the residential side of REITs do tend to be a bit below-average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

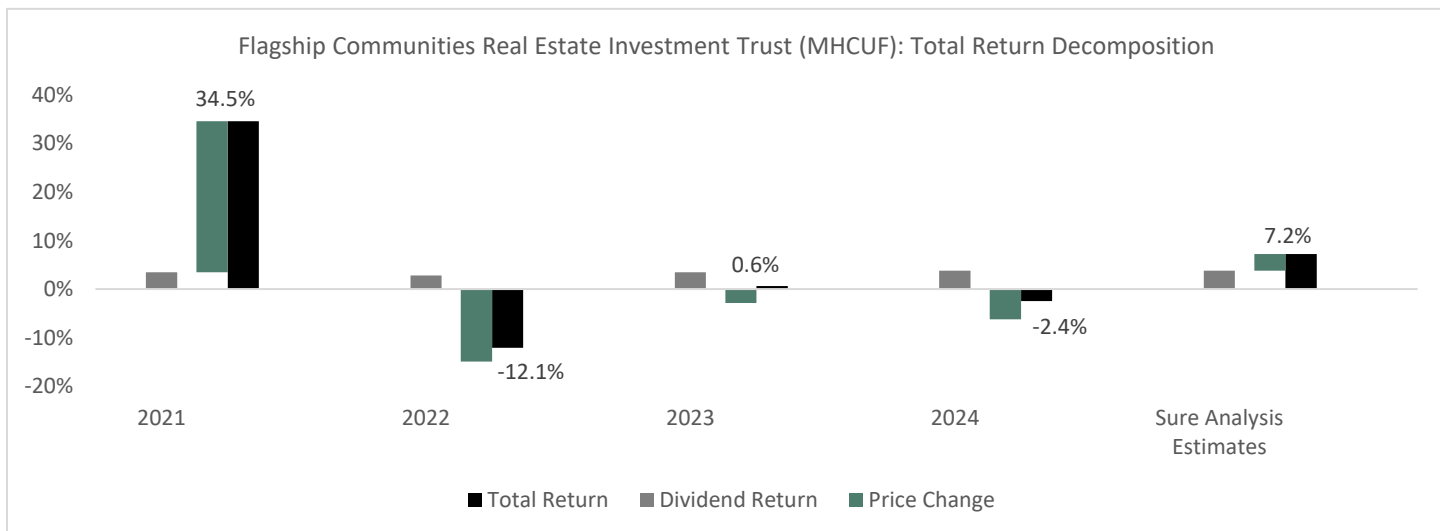
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	53%	50%	50%	48%	47%	48%	48%

Flagship Communities REIT's focus on manufactured housing communities and RV resorts gives it a unique advantage in economic downturns. Specifically, its portfolio is concentrated in affordable housing, which is typically more resilient during recessions as people tend to shift towards lower-cost housing options. The REIT also benefits from tenant-owned homes, which reduce vacancy risk and provide stable cash flow, as Flagship relies less on rent from homes it owns. Also, the REIT's ability to grow through acquisitions in high-demand, undersupplied markets positions it well for sustainable growth. While Flagship hasn't faced a recession yet, these factors, along with strong rent collection rates (over 99% in 2024) and low leverage (debt to gross book value at 40.3% in 2024), would likely make it resilient if economic conditions worsen.

Final Thoughts & Recommendation

Flagship Communities offers a decent investment case with its strong growth trajectory, driven by strategic acquisitions and a focus on affordable housing. Its rather predictable cash flow, low leverage, and ability to convert rental homes to tenant-owned homes offer stability and upside, while its solid balance sheet and low payout ratio ensure it can weather economic uncertainty and continue delivering consistent returns. While we are cautious of the REIT's short history in the market, we forecast an annualized return potential of 7.2% through 2030. This is to be driven mainly by the starting yield and our modest growth estimates. We rate Flagship Communities a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue					15		43	59	71	88
Gross Profit					9		29	38	46	58
Gross Margin					57.7%		66.5%	65.4%	65.3%	65.7%
SG&A Exp.					1		5	7	8	10
D&A Exp.					0		0	0	0	0
Operating Profit					8		23	31	37	47
Operating Margin					50.9%		52.7%	52.4%	52.6%	53.3%
Net Profit					29		60	43	65	104
Net Margin					187%		139%	72.6%	91.6%	118%
Free Cash Flow					3		17	13	17	14

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	146	201	445	695	799	903	1,109	146	201	445
Cash & Equivalents	2	3	11	15	17	8	7	2	3	11
Accounts Receivable	0	0	1	1	1	1	1	0	0	1
Total Liabilities	79	99	299	372	442	467	524	79	99	299
Accounts Payable	0	0	1	1	0	2	2	0	0	1
Long-Term Debt		97		259	343	363	423		97	
Shareholder's Equity	67	102	146	323	358	436	586	67	102	146
LTD/E Ratio		0.95		0.80	0.96	0.83	0.72		0.95	

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets							13.4%	5.7%	7.7%	10.3%
Return on Equity					34.2%		25.6%	12.5%	16.4%	20.3%
ROIC							15.4%	6.7%	8.7%	11.5%
Shares Out.						12.3	15.3	19.6	20.8	23.9
Revenue/Share					2.47		3.05	4.16	4.59	4.54
FCF/Share					0.48		1.22	0.95	1.11	0.71

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

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