



Arbor Realty Trust Inc. (ABR)

Updated May 7th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$10.4	5 Year CAGR Estimate:	12.6%	Market Cap:	\$2.2 B
Fair Value Price:	\$11.7	5 Year Growth Estimate:	1.3%	Ex-Dividend Date:	5/16/25
% Fair Value:	89%	5 Year Valuation Multiple Estimate:	2.5%	Dividend Payment Date:	5/30/25
Dividend Yield:	11.5%	5 Year Price Target	\$13	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Real Estate	Rating:	Sell

Overview & Current Events

Arbor Realty Trust (ABR) is a nationwide mortgage real estate investment trust (REIT) that acts as a direct lender and operates in two reporting segments: Agency Business and Structured Business. The trust provides loan origination and servicing for multifamily, seniors housing, healthcare, and other diverse commercial real estate assets. Arbor Realty's specific focus is government-sponsored enterprise products, although its platform also includes commercial mortgage-backed securities (CMBS), bridge and mezzanine loans, and preferred equity issuances.

On May 2, 2025, Arbor Realty Trust reported its financial results for the first quarter ended March 31, 2025. The company posted a GAAP net income of \$30.4 million, or \$0.16 per diluted common share, a significant decline from \$57.9 million, or \$0.31 per share, in the same period of the previous year. Distributable earnings were \$57.3 million, or \$0.28 per share, down from \$96.7 million, or \$0.47 per share, in Q1 2024. Excluding \$7.1 million in realized losses from the sale of two real estate owned properties, distributable earnings would have been \$0.31 per share. The company declared a quarterly cash dividend of \$0.30 per share, payable on May 30, 2025, to shareholders of record as of May 16, 2025. Arbor closed a new \$1.15 billion repurchase facility during the quarter, enhancing leverage, reducing pricing, and generating approximately \$80 million of additional liquidity. The company's servicing portfolio stood at approximately \$33.48 billion, with agency loan originations totaling \$605.9 million. The structured loan portfolio reached approximately \$11.49 billion, with \$747.1 million in originations and \$421.9 million in runoff. Arbor foreclosed on seven non-performing loans during the quarter, totaling \$196.7 million in real estate owned assets. The company modified 21 loans with an unpaid principal balance of \$949.8 million, with most borrowers investing additional capital. Despite the challenging environment, Arbor's strategic refinancing efforts and proactive asset management demonstrate its commitment to navigating the current real estate landscape.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.46	\$0.80	\$0.78	\$1.11	\$1.11	\$1.75	\$2.01	\$2.23	\$2.25	\$1.74	\$1.28	\$1.50
BVPS	\$9.34	\$11.42	\$11.27	\$9.56	\$10.20	\$10.91	\$15.98	\$19.40	\$14.25	\$16.65	\$11.74	\$12.55
DPS	\$0.58	\$0.62	\$0.76	\$1.13	\$1.14	\$1.23	\$1.38	\$1.54	\$1.68	\$1.72	\$1.20	\$1.45
Shares¹	51.0	51.4	61.7	85.4	111.2	123.9	152.1	179.8	188.5	189.5	192.2	200.0

Arbor Realty has had to issue a lot of additional common shares to fuel revenue growth over the past decade, thereby diluting bottom line returns for shareholders. Moving forward, we expect the trust's investments to be offset by a weakening real estate and macroeconomic picture as well as dilution to some degree by significant share issuances. As a result, we are expecting book value per share to grow slowly over the next half decade.

¹ 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/B	0.8	0.7	0.7	0.8	1.1	1.2	1.4	1.7	1.1	1.1	0.9	1.0
Avg. Yld.	8.0%	7.4%	9.2%	14.2%	10.4%	9.7%	6.0%	4.6%	10.8%	9.4%	11.5%	11.6%

Given Arbor Realty's volatile AFFO history, we believe that measuring the security's valuation using the price-to-book ratio is a much more reasonable approach than the traditional price-to-AFFO for REITs. As the table above indicates, Arbor Realty's price-to-book ratio has ranged between 0.7x and 1.7x over the last decade, though in recent years it has consistently been over 1x. At the same time, the trust's dividend yield since 2013 (the first year that it traded with a material yield) has averaged ~8%, while the trust's current dividend yield is 11.5%. The trust's price-to-book value indicates that it is slightly undervalued right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

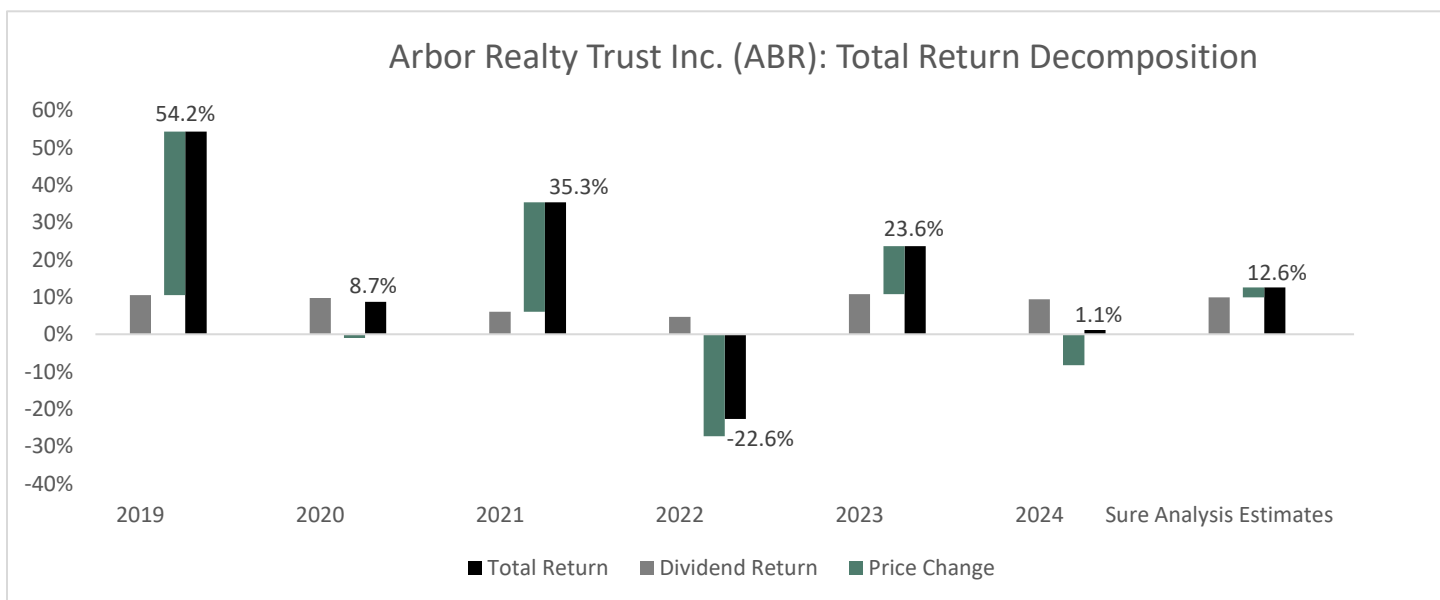
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout ²	126%	78%	97%	102%	103%	70%	69%	69%	76%	99%	94%	97%

Arbor's high dividend yield indicates that the market has some concerns about the safety of its current dividend payment. In general, the non-recurring nature of the loans within the mortgage REIT business model make Arbor Realty somewhat less of a sleep-well-at-night stock than some of its peers in the equity REIT universe. We have serious questions about its dividend safety through all economic environments, particularly in light of its high current payout ratio.

Final Thoughts & Recommendation

Arbor Realty's dividend yield will immediately make it attractive to income-oriented investors. However, the business model underpinning the yield is heavily leveraged and therefore the dividend is susceptible to the possibility of significant cuts. The company recently had to cut its dividend and therefore we rate it a sell despite its attractive 12.6% expected total returns per year over the next half-decade.

Total Return Breakdown by Year



² Note: This payout ratio using AFFO in the denominator.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	96	161	257	331	349	434	591	619	721	626
SG&A Exp.	38	69	130	148	162	182	217	216	211	237
D&A Exp.	5	27	55	56	56	57	66	69	73	78
Net Profit	53	50	73	116	129	171	339	326	371	265
Net Margin	55.6%	31.2%	28.6%	35.0%	36.8%	39.4%	57.4%	52.6%	51.5%	42.3%
Free Cash Flow	36	(199)	459	(38)	(227)	55	217	1,100	236	462
Income Tax	-	1	13	10	15	40	46	17	27	13

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,827	2,971	3,626	4,612	6,239	7,661	15,074	17,039	15,739	13,491
Cash & Equivalents	189	139	104	160	300	340	405	534	929	504
Goodwill & Int. Ass.	-	325	374	390	397	485	523	498	483	457
Total Liabilities	1,262	2,224	2,761	3,547	4,883	6,178	12,524	13,967	12,484	10,339
Long-Term Debt	1,208	2,099	2,631	2,736	3,464	4,681	8,395	10,138	9,439	7,161
Shareholder's Equity	476	498	606	806	1,095	1,255	1,862	2,303	2,484	2,390
LTD/E Ratio	2.14	3.58	3.78	3.06	2.92	3.48	3.47	3.45	3.03	2.37

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.9%	2.1%	2.2%	2.8%	2.4%	2.5%	3.0%	2.0%	2.3%	1.8%
Return on Equity	9.7%	7.7%	9.1%	12.0%	10.6%	12.0%	16.8%	11.6%	11.7%	8.3%
ROIC	3.0%	2.2%	2.3%	3.2%	3.0%	3.1%	4.0%	2.7%	2.9%	2.3%
Shares Out.	51.0	51.4	61.7	85.4	111.2	123.9	152.1	179.8	188.5	189.5
Revenue/Share	1.88	3.12	3.20	3.54	3.01	3.24	3.79	3.11	3.29	3.05
FCF/Share	0.71	(3.84)	5.71	(0.40)	(1.95)	0.41	1.39	5.52	1.08	2.25

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

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