BRT Apartments Corp. (BRT)

Updated May 20th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$16	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$313 M
Fair Value Price:	$17	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date[1]:**	6/24/2025
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.7%	**Dividend Payment Date:**	7/8/2025
Dividend Yield:	6.3%	**5 Year Price Target**	$19	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:** REITs		**Rating:**	Sell

Overview & Current Events

BRT Apartments (BRT) is a real estate investment trust (REIT) that owns and operates multi-family properties primarily in privileged Sun Belt locations. It currently owns or has interest in 29 multi-family properties with a total of approximately 7,950 units in 11 states. Most of the properties are located in the Southeast U.S. and Texas. The REIT has a market capitalization of $313 million.

Management and affiliates own 37% of the shares of BRT Apartments. As a result, the interests of management are closely aligned with those of the shareholders. In addition, the REIT benefits from the favorable demographics of the Sun Belt region, namely superior economic growth and population growth vs. the rest of the country.

In early May, BRT Apartments reported (5/8/25) financial results for the first quarter of fiscal 2025. Revenue grew 3% over the prior year's quarter thanks to higher rental rates. Adjusted funds from operations (FFO) per share grew 20%, from $0.25 to $0.30, beating the analysts' consensus by $0.03. However, we reiterate that the REIT has been caught with a high debt load in the downturn caused by the surge of interest rates to nearly 23-year highs. Its interest expense has exceeded its operating income in each of the last four years. Consequently, BRT Apartments has sold 4 properties with nearly 1,000 units in total during the last three years.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO	$0.24	$0.47	$0.67	$1.08	$0.74	$0.99	$0.97	$1.24	$1.19	$1.12	***$1.10***	***$1.21***
DPS	---	---	$0.36	$0.80	$0.84	$0.88	$0.90	$0.98	$1.00	$1.00	***$1.00***	***$1.00***
Shares[2]	14.1	14.0	14.0	15.2	16.2	17.1	17.1	17.9	17.9	17.8	***18.0***	***20.0***

BRT Apartments benefits from its focus on the Sunbelt Region of the U.S., which has enjoyed higher economic growth than the rest of the country for more than a decade. The REIT has also benefited from the strong growth of demand for multi-family units thanks to the preference of millennials to rent instead of buying. The REIT tries to grow by disposing assets whose value seems to have been maximized and by forming joint venture partnerships on terms it finds attractive. On the other hand, BRT Apartments has been hurt by the surge of interest rates in the last three years due to its high debt load. If the REIT meets our forecast for FFO per share of $1.10 this year, it will have grown its FFO per share by only 2.1% per year on average over the last five years. We expect the REIT to grow its FFO per share at a 2.0% average annual rate over the next five years, in line with its 5-year average growth rate. If inflation and interest rates remain high for years, they will exert a strong headwind to the performance of BRT Apartments.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg P/FFO	28.9	15.3	13.2	11.2	19.5	12.7	18.8	17.7	15.8	15.8	***14.5***	***15.8***
Avg. Yld.	---	---	4.1%	6.6%	5.8%	7.0%	4.9%	4.5%	5.3%	5.6%	***6.3%***	***5.2%***

[1] Estimated date.

[2] In millions.

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BRT Apartments is currently trading at a P/FFO ratio of 14.5, which is lower than the 2-year average of 15.8 of the stock. We would normally use the 10-year average of 16.9 or the 5-year average of 16.2 as a fair valuation level but we prefer to be conservative and use the 2-year average, given the high debt load of the REIT. If the stock trades at our assumed fair valuation level in five years, it will enjoy a 1.7% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	54%	74%	114%	89%	93%	79%	84%	89%	***91%***	***82%***

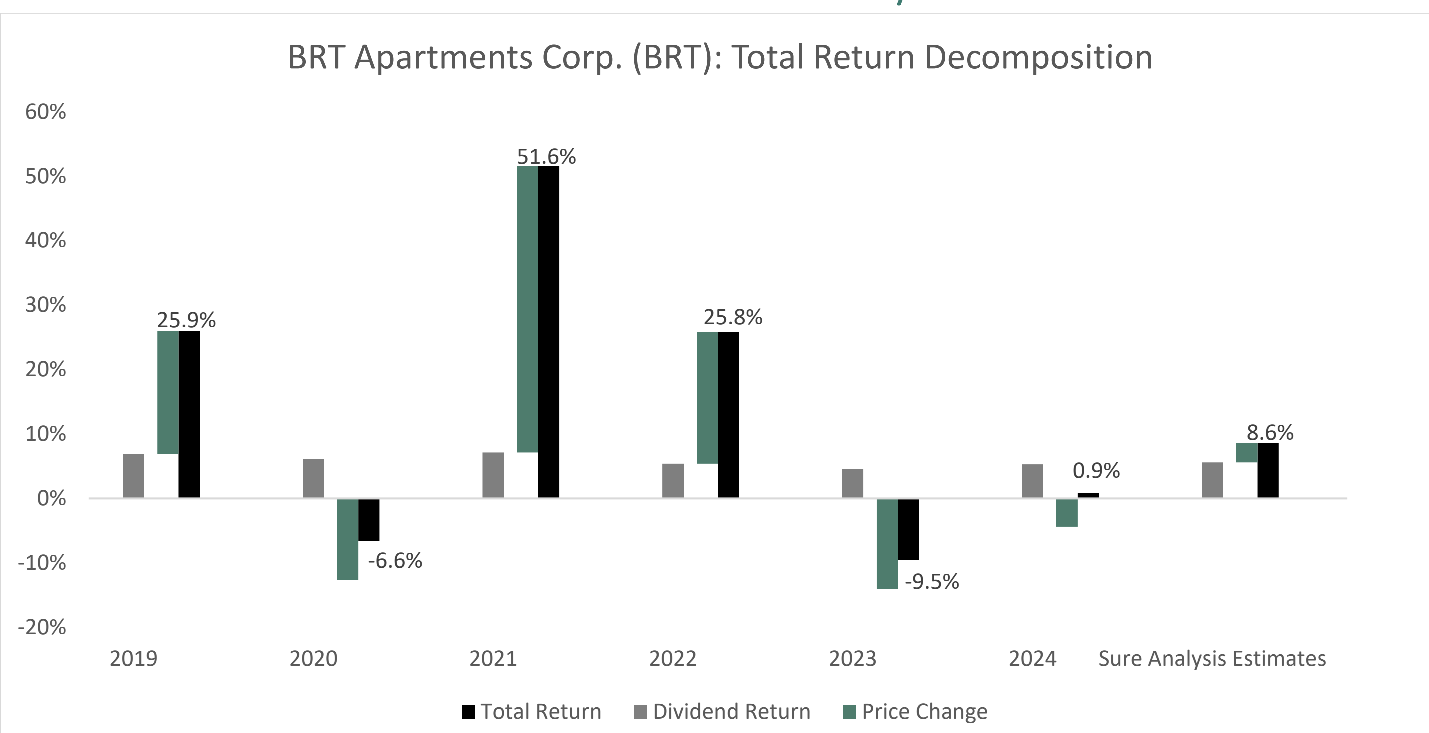
The management of BRT Apartments has four decades of experience and its interests are closely aligned with those of the shareholders. In addition, the REIT greatly benefits from the superior growth of the economy and the population in the Sun Belt region. These are significant competitive advantages.

Moreover, BRT Apartments is offering a 6.3% dividend yield, which is higher than the 4.9% median dividend yield of the REIT sector. However, the REIT has a payout ratio of 91%, which means that the dividend is not safe. Interest expense has been exceeding operating income over the last four years while net debt is standing at $480 million, which is more than 20 times the annual FFO and greater than the market capitalization of the REIT. Due to its high debt load, BRT Apartments will be vulnerable to a potential downturn, such as a recession. It is thus unsuitable for conservative, income-oriented investors.

Final Thoughts & Recommendation

BRT Apartments has been caught with a high debt load in the downturn caused by the surge of interest rates to nearly 23-year highs. As a result, the stock has declined -33% since early 2022. If interest rates moderate, the REIT is likely to recover strongly. In such a case, the stock can offer an 8.6% average annual return over the next five years thanks to 2.0% annual growth of FFO per share, its 6.3% dividend and a 1.7% valuation tailwind. BRT Apartments receives a sell rating and we reiterate its high risk in the event of persistently high inflation and interest rates in the upcoming years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	81	99	106	120	28	28	32	71	94	96
Gross Profit	38	51	54	62	15	16	18	40	52	52
Gross Margin	47.5%	51.8%	51.5%	51.8%	55.6%	56.0%	55.7%	56.7%	55.3%	54.5%
SG&A Exp.	9	9	9	9	10	12	13	15	15	16
D&A Exp.	23	23	30	39	6	7	8	25	28	26
Operating Profit	11	19	15	14	(1)	(3)	(3)	1	8	10
Op. Margin	13.4%	18.9%	13.8%	11.9%	-2.1%	-9.7%	-8.7%	0.7%	8.4%	10.8%
Net Profit	(2)	31	14	24	1	(20)	29	50	4	(10)
Net Margin	-2.9%	31.8%	12.9%	19.9%	3.1%	-70.7%	90.8%	70.8%	4.1%	-10.2%
Free Cash Flow	(51)	(37)	4	22	7	(3)	(2)	9	10	18

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	821	875	994	1,153	391	366	460	733	710	713
Cash & Equivalents	16	27	12	27	23	20	32	20	24	28
Total Liabilities	661	673	757	857	191	188	257	483	482	509
Long-Term Debt	488	625	735	829	170	168	237	460	460	484
Shareholder's Equity	123	151	166	198	200	178	203	250	228	205
LTD/E Ratio	3.98	4.13	4.43	4.19	0.85	0.94	1.17	1.84	2.01	2.36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-0.3%	3.7%	1.5%	2.2%	0.1%	-5.3%	7.1%	8.4%	0.5%	-1.4%
Return on Equity	-1.5%	17.3%	6.2%	8.9%	0.3%	-10.5%	15.3%	22.1%	1.6%	-4.5%
ROIC	-0.4%	4.2%	1.5%	2.3%	0.1%	-5.6%	7.4%	8.7%	0.6%	-1.4%
Shares Out.	14.1	14.0	14.0	15.2	16.2	17.1	17.1	17.9	17.9	17.8
Revenue/Share	5.74	7.03	7.54	8.09	1.72	1.64	1.88	3.95	5.22	5.39
FCF/Share	(3.61)	(2.62)	0.27	1.48	0.44	(0.15)	(0.11)	0.51	0.56	1.01

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