



BSR Real Estate Investment Trust (BSRTF)

Updated May 16th, 2025, by Kody Kester

Key Metrics

Current Price:	\$13.19	5 Year Annual Expected Total Return:	9.0%	Market Cap:	\$442M
Fair Value Price:	\$14.11	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	05/31/25
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	1.4%	Dividend Payment Date:	06/16/25
Dividend Yield:	4.2%	5 Year Price Target	\$17.17	Years Of Dividend Growth:	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.

At present, the company owns and manages 25 garden-style multi-family communities totaling 6,802 units. The properties are suburban class A and class B apartments that are strategically positioned in demographically and economically thriving Sunbelt cities. Almost all of BSRTF's units are located in Dallas, Houston, Austin, and Oklahoma City, respectively.

The fund's strategy is to concentrate in markets where annual rent as a percentage of median income is low. This should translate into higher occupancy over time. 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 improved by 60 basis points over the year-ago period to 95.9% in Q1 2025.

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 worth more than their unit price.

On May 7th, BSRTF released its first-quarter earnings report for the period ended March 31st, 2025. The company's total revenue grew by 3.6% year-over-year to \$43.5 million in the quarter. Contributions from the acquisition of Venue Craig Ranch Apartments in January mostly accounted for this topline growth during the quarter. BSRTF's AFFO per unit fell by 8.3% over the year-ago period to \$0.22 for the quarter. That was due to higher financing costs in the quarter.

On May 15th, BSRTF announced that it purchased two recently constructed communities, Forayna Vintage Park and Botanic Luxury, each located near Houston, Texas for \$141 million. Together, these acquisitions added 638 units to the company's property portfolio.

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	\$0.83	\$1.01
DPS	-	-	-	\$0.31	\$0.50	\$0.50	\$0.50	\$0.52	\$0.52	\$0.54	\$0.56	\$0.68
Units²	-	-	-	16.6	22.3	23.9	31.2	36.3	33.1	33.4	33.5	46.7

Since its IPO in 2018, BSRTF's AFFO per unit has gradually made its way higher. In the years to come, we still think the company's AFFO per unit can rise by 4% annually off an anticipated 2025 base of \$0.83. This is because as the new supply again dwindles in its major markets, which 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 return to growth in 2026 and beyond.

¹ Unit 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	15.9	17.0
Avg. Yld.	-	-	-	4.1%	4.3%	4.4%	2.8%	4.0%	4.4%	4.5%	4.2%	4.0%

Since 2018, BSRTF's P/AFFO ratio has varied from as little as the low-teens to as much 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 past seven years. This is why we believe that fair value would be one standard deviation below the average P/AFFO ratio, which would equate to a fair value multiple of 17. Against the current multiple of 15.8, that implies BSRTF's shares are slightly discounted.

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%	67%	67%

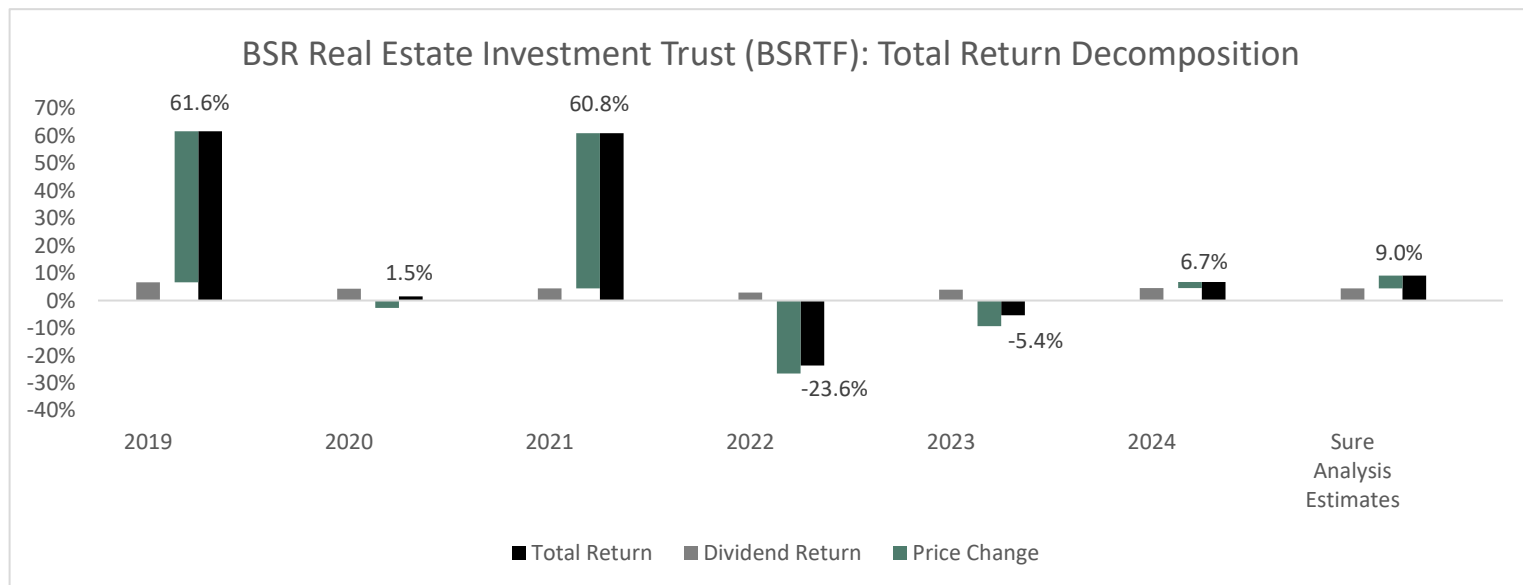
BSRTF enjoys a couple of notable competitive advantages. For one, the company's presence in metropolitan Sunbelt areas leads to steady demand for its properties. Additionally, the company is internally managed. That lowers external fees and allows BSRTF to make quick and cost-effective decisions.

BSRTF's debt-to-gross book value ratio after the disposition to AvalonBay is approximately 38%. The company also had \$148 million in liquidity as of March 31st, 2025. For these reasons, we would argue that BSRTF's balance sheet is sound. Lastly, the company's dividend payout ratio is set up to be in the high-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 4.2% yield, 4.0% annual AFFO per unit growth prospects, and 1.4% annual valuation multiple expansion potential could produce 9.0% annual total returns over the medium term. However, the company lacks the history of consistent dividend growth that we prefer when issuing a buy rating. Thus, we're reiterating our 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.

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