



Whitestone REIT (WSR)

Updated June 22nd, 2025 by Kay Ng

Key Metrics

Current Price:	\$12.30	5 Year Annual Expected Total Return:	10.3%	Market Cap:	\$633M
Fair Value Price:	\$12.60	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	07/01/25
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.5%	Dividend Payment Date:	07/10/25
Dividend Yield:	4.4%	5 Year Price Target	\$17	Years Of Dividend Growth:	3
Dividend Risk Score:	D	Sector:	Real Estate	Rating:	Hold

Overview & Current Events

Whitestone is a retail REIT that owns about 55 properties with about 4.9 million square feet of gross leasable area primarily in fast-growing U.S. markets such as Texas and Arizona. Its tenant base is very diversified consisting of more than 1,400 tenants with no single tenant exceeding 2.2% of annualized base rental revenue. Its strategy is to prioritize renting to strong tenants and service-oriented businesses, including grocery, restaurant, health and fitness, financial services, logistics services, education, and entertainment, etc. in neighborhoods with high disposable income.

Whitestone was founded in 1998 and is headquartered in Houston, Texas.

Whitestone reported its first-quarter 2025 results on 4/30/25. During the quarter, it witnessed an occupancy rate of 92.9% versus 93.6% in Q1 2024. For the quarter, revenues grew 2.2% to \$38.0 million versus Q1 2024. Funds from operations ("FFO") rose 11% year over year to \$13.1 million, while FFO per share rose 8.7% to \$0.25. Same-store net operating income ("SSNOI") rose 4.8% to \$24.7 million. Also, rental rate growth was 20.3%, up from 17.0% a year ago, supported by rental rate growth in renewal leases at 19.9% versus 15.0% a year ago and new leases at 22.6% vs. 25.9% a year ago. There were 22 new leases and 62 renewal leases in the quarter.

Whitestone maintained its 2025 FFO per share guidance at \$1.03-1.07. Therefore, we also maintain our 2025 FFOPS estimate at \$1.05, the midpoint of management's guidance.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFOPS	\$1.04	\$0.93	\$0.95	\$0.97	\$0.90	\$0.83	\$0.86	\$1.03	\$0.88	\$0.98	\$1.05	\$1.41
DPS	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14	\$0.60	\$0.43	\$0.47	\$0.48	\$0.49	\$0.54	\$0.72
Shares¹	27.0	29.2	38.5	39.8	40.6	43.3	50.0	50.0	50.8	51.3	52.0	54.4

Since Whitestone began reporting FFO, it has seen minimal growth in its FFOPS. This is not a result of decreased FFO but instead an increase in shares outstanding. Since 2015, Whitestone has nearly doubled its share count, primarily to fund acquisitions. In part due to that share dilution, there was no dividend growth from 2016 to 2019, and a dividend cut occurred during the pandemic. In February 2021 and 2022, the REIT declared dividend increases. While it did not declare a dividend increase in 2023, it resumed increasing the dividend in March 2024. That said, the REIT should have the capacity to improve its dividend in the long run. For now, we use an estimated dividend growth rate of 6% through 2030, which should lead to a sustainable payout ratio of ~51% for a REIT.

Whitestone's exposure to the high growth Sun Belt market, as well as its investments in acquisitions, re-development, and development projects will drive future growth. The continuation of SSNOI growth since Q1 2021 is a good sign. We would like to see it stay that way. For now, we estimate a FFOPS growth rate of 6% through 2030 on a long-term recovery path.

¹ Projected dividend dates; Shares 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
P/FFO	11.5	15.5	15.2	12.9	14.6	9.2	9.6	10.7	11.2	14.2	11.7	12.0
Avg. Yld.	9.5%	7.9%	7.9%	9.3%	8.7%	5.5%	4.5%	4.2%	4.9%	3.7%	4.4%	4.3%

From 2020 to 2024, Whitestone traded at a price to funds from operations multiple (P/FFO) of 11.0. And from 2015-2024, it traded at a P/FFO of 12.5. We target a fair P/FFO of 12. The stock appears to be fairly valued today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	110%	123%	120%	118%	127%	72%	50%	46%	55%	50%	51%	51%

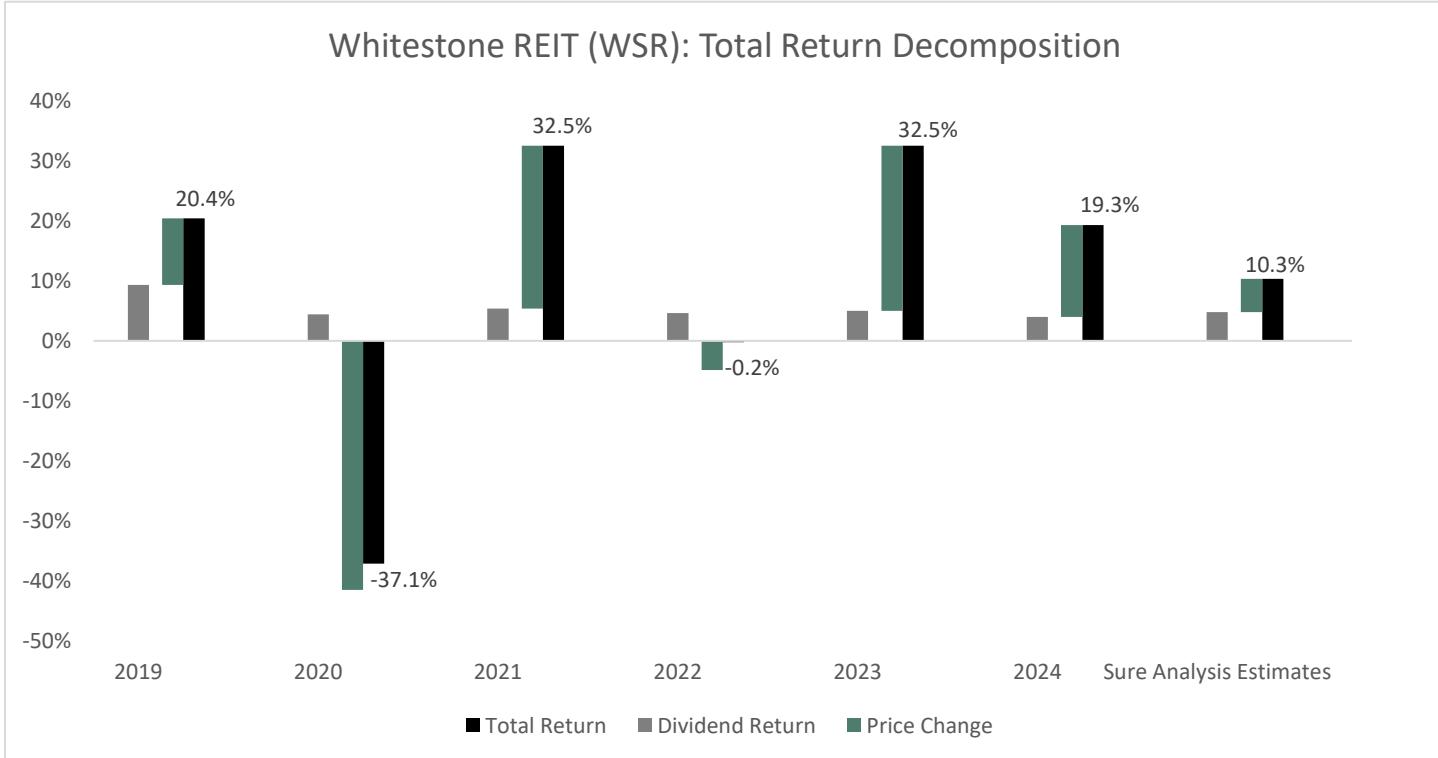
Whitestone had some financial troubles during the previous recession in 2008. From 2007 to 2008, its rental income dropped by \$5.8 million, and it took until 2012 for the rental income to return to the 2007 highs. Whitestone cut its dividend by 63% in 2020. The company is now steadily increasing its dividend, but it's a long way off from the pre-pandemic levels. Currently, the payout ratio of about 50% is sustainable.

At the end of Q1 2025, Whitestone had a debt-to-asset ratio of 61% and debt-to-equity ratio of 1.6 times. At the end of the quarter, the REIT had \$5.6 million in cash and cash equivalents. Moreover, its payout ratio is much more sustainable than pre-pandemic levels because of a lower dividend.

Final Thoughts & Recommendation

Whitestone has an expected annualized total return of 10.3% over the next five years, stemming primarily from a 4.4% dividend yield and 6.0% FFOPS growth. The stock appears to be fairly valued. We give WSR a hold rating currently.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	93	104	126	120	119	118	125	139	148	156
Gross Profit	62	70	84	82	82	79	86	96	102	110
Gross Margin	66.5%	67.4%	66.6%	68.8%	69.1%	67.3%	68.6%	68.9%	68.9%	70.4%
SG&A Exp.	20	24	24	23	22	21	23	18	21	23
D&A Exp.	20	22	27	26	27	28	29	32	33	35
Operating Profit	22	24	33	33	34	30	34	46	48	50
Operating Margin	23.6%	22.9%	25.9%	27.9%	28.5%	25.2%	27.5%	33.2%	32.4%	32.3%
Net Profit	7	8	8	21	24	6	12	35	19	37
Net Margin	7.2%	7.6%	6.6%	17.9%	19.9%	5.1%	9.6%	25.3%	12.8%	23.7%
Free Cash Flow	36	41	41	40	48	43	47	44	48	58
Income Tax	0	0	0	0	0	0	0	0	0	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	782	855	1070	1029	1056	1045	1102	1103	1113	1135
Cash & Equivalents	3	4	5	14	16	26	16	6	5	5
Accounts Receivable	15	20	21	21	23	23	22	25	16	81
Total Liabilities	535	588	712	670	703	707	703	678	694	691
Accounts Payable	24	29	36	34	39	51	46	36	37	41
Long-Term Debt	498	544	659	618	645	644	643	625	640	632
Shareholder's Equity	243	256	348	350	345	332	393	418	414	444
LTD/E Ratio	2.05	2.13	1.90	1.76	1.87	1.94	1.64	1.49	1.55	1.42

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.0%	1.0%	0.9%	2.0%	2.3%	0.6%	1.1%	3.2%	1.7%	3.3%
Return on Equity	3.0%	3.2%	2.8%	6.1%	6.8%	1.8%	3.3%	8.7%	4.5%	8.5%
ROIC	1.0%	1.0%	0.9%	2.1%	2.4%	0.6%	1.2%	3.4%	1.8%	3.4%
Shares Out.	27	29	39	40	41	43	50	50	51	51
Revenue/Share	3.64	3.68	3.47	2.95	2.88	2.74	2.71	2.79	2.91	3.06
FCF/Share	1.41	1.43	1.14	0.97	1.15	1.00	1.02	0.89	0.94	1.14

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

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