AvalonBay Communities Inc. (AVB)

Updated March 2nd, 2026 by Samuel Smith

Key Metrics

Current Price:	$176	**5 Year CAGR Estimate:**	10.6%	**Market Cap:**	$25.1 B
Fair Value Price:	$207	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	3/31/26[1]
% Fair Value:	85%	**5 Year Valuation Multiple Estimate:**	3.3%	**Dividend Payment Date:**	4/15/26[2]
Dividend Yield:	4.0%	**5 Year Price Target**	$252	**Years Of Dividend Growth:**	4
Dividend Risk Score:	F	**Sector:**	Real Estate	**Rating:**	Hold

Overview & Current Events

AvalonBay Communities (AVB) is a premier multifamily residential real estate investment trust (REIT) with a $25.1 billion market capitalization. The company owns and operates a portfolio of 320 apartment communities containing approximately 98,694 apartment homes across high-barrier-to-entry markets in New England, New York/New Jersey, Washington D.C., California, and the Pacific Northwest. AvalonBay focuses on premium properties in supply-constrained coastal and metropolitan areas where barriers to entry limit new supply and support sustainable rent growth. The company's strategic positioning in markets with strong demographic demand and limited housing affordability enables it to generate strong cash flows and achieve consistent dividend growth while pursuing disciplined capital allocation. AvalonBay's development pipeline and active community management contribute to its reputation as a leading owner of upscale multifamily housing in the most desirable U.S. markets.

On February 4, 2026, AvalonBay Communities released its full-year 2025 financial results, demonstrating solid operational performance amid a challenging multifamily environment. Core FFO per share of $2.85 in the fourth quarter edged past the $2.84 consensus, and full-year Core FFO per share rose 6.5 percent to $11.24, supported by 3.7 percent revenue growth to $767.9 million and same-store revenue growth of 2.5 percent alongside a 1.3 percent increase in same-store NOI in Q4. Operational metrics were a clear strength, with resident turnover falling to 41 percent, the lowest level in the company’s history, indicating improved resident satisfaction, lower frictional vacancy, and enhanced cost efficiency. Management’s strategic initiatives also showed through in capital allocation, as AvalonBay maintained a strong balance sheet, repurchased shares, and reduced leverage metrics while still funding growth. On the development front, the company started $1.65 billion of projects in 2025 at attractive 6.2 percent yields on cost and plans about $800 million of additional development starts in 2026, maintaining a disciplined focus on high-quality assets in supply-constrained markets that can support long-term NAV and earnings growth. At the same time, headwinds persist, including ongoing oversupply and potential rent control measures in certain West Coast and coastal markets, as well as macro uncertainty and evolving work-from-home trends that could weigh on demand and rent growth. Even so, AvalonBay’s concentration in high-barrier-to-entry coastal and urban markets, combined with its strong operating platform and prudent capital deployment, positions the company to navigate near-term challenges while continuing to create long-term value for shareholders.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
FFO/S	$8.19	$8.62	$9.00	$9.34	$8.69	$8.26	$9.79	$10.63	$11.01	$11.24	***$11.51***	***$14.00***
DPS	$5.40	$5.68	$5.88	$6.08	$6.36	$6.36	$6.36	$6.60	$6.80	$7.00	***$7.12***	***$8.50***
Shares[3]	137.0	137.7	138.1	140.3	139.2	139.5	139.7	141.9	142.1	142.1	***141.4***	***140***

[1] Estimated

[2] Estimated

[3] In millions

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Over the past decade, AvalonBay generated very impressive annualized Core FFO/share growth thanks to its growing scale and strong rental rate growth. However, this growth rate has slowed dramatically in recent years, coming in at 5.5% in 2017, 4.4% in 2018, and just 3.8% in 2019 before declining in 2020 and 2021 due to COVID-19. In 2022 FFO per share resumed growth as COVID-19 headwinds dissipated and 2025 is expected to see continued growth. Additional potential headwinds for AvalonBay are the threat of future rent control legislation in its West Coast markets (this has already been on the ballot in recent elections) as well as the uncertain economic climate in AvalonBay's target markets as a result of the fallout from COVID-19, including the growing work from home trend. Overall, we are projecting a 4% annualized growth rate over the next five years.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	*2024*	*2025*	*Now*	*2031*
P/FFO	21.8	20.7	19.2	23.3	19.0	29.2	17.2	16.8	21.5	15.4	***15.3***	***18.0***
Avg. Yld.	3.0%	3.2%	3.4%	2.8%	3.9%	2.6%	3.8%	3.7%	2.9%	4.0%	***4.0%***	***3.4%***

The P/FFO valuation multiple has varied between the high teens and the low 20s over the past decade, and the dividend yield has ranged between 2.6% and 3.9%. However, the abundant new supply reaching markets combined with increasing inflationary and rising interest rate pressures on margins - not to mention a challenging acquisition climate due to compressed cap rates – will lead to continued slowing growth relative to pre-COVID-19 levels. Therefore, the stock will warrants a lower valuation multiple and a higher dividend yield. We think the stock is undervalued at present.

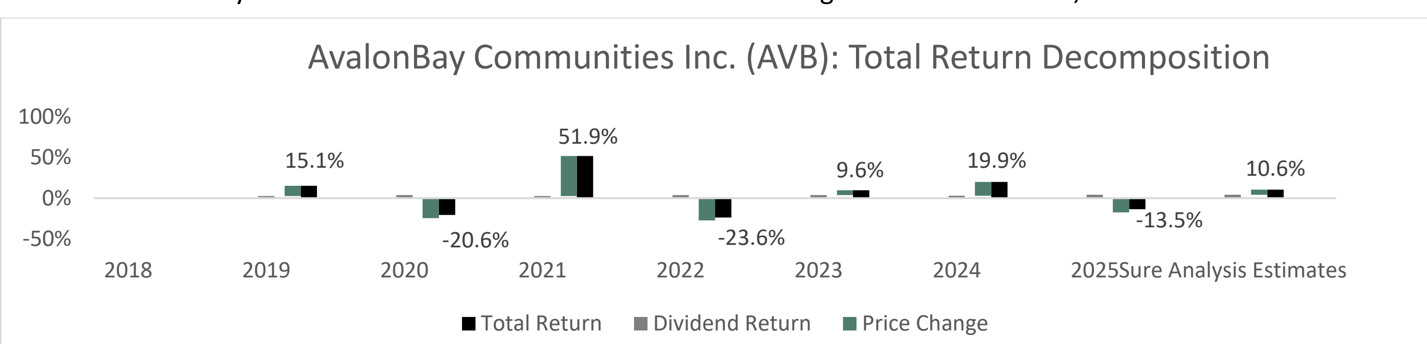
Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	66%	66%	65%	65%	73%	77%	65%	62%	62%	61.8%	***61.9%***	***60.7%***

AvalonBay significantly outperformed the S&P 500 during the Great Recession due to the defensive nature of the multifamily sector. However, it still experienced a sizable decline in FFO/share (from $4.61 in 2007 down to a low of $3.89 in 2009). Additionally, multifamily apartments lack a strong competitive advantage due to the ease of creating new supply, as well as the alternative sources of affordable housing in large metropolitan areas in which AvalonBay operates. Given that fact, AvalonBay's investments are essentially a bet on the economic strength of its core markets. Furthermore, the fact that most of its assets are high-quality "A" apartment units makes it even more levered to the state of the economy, as these apartments are in high demand during strong economic conditions but are less affordable during a recession. AVB does have considerable economies of scale, low cost of capital, operational and marketing expertise, and a brand name advantage, which enable it to compete effectively against competitors. The trust's balance sheet is also very strong, as its sector-leading A- credit rating makes clear.

Final Thoughts & Recommendation

AvalonBay has an excellent track record and a stellar balance sheet. AvalonBay appears slightly overvalued at the moment and is likely to deliver 10.6% annualized total returns moving forward. As a result, we rate it a Hold.



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2,039	2,152	2,278	2,318	2,292	2,334	2,639	2,824	2,961	3,091
Gross Profit	824	842	877	888	762	721	905	1,019	1,041	1,057
Gross Margin	40.4%	39.1%	38.5%	38.3%	33.2%	30.9%	34.3%	36.1%	35.2%	34.2%
D&A Exp.	531	584	631	662	707	759	815	817	847	913
Operating Profit	778	792	820	827	704	597	781	885	916	923
Operating Margin	38.2%	36.8%	36.0%	35.7%	30.7%	25.6%	29.6%	31.3%	30.9%	29.9%
Net Profit	1,031	874	971	784	826	1,002	1,134	927	1,080	1,055
Net Margin	50.6%	40.6%	42.6%	33.8%	36.0%	42.9%	43.0%	32.8%	36.5%	34.1%
Free Cash Flow	1,190	1,273	1,250	1,191	1,094	1,113	1,299	1,368	1,421	1,414
Income Tax	0	0	(0)	13	(3)	6	15	10	0	(1)

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	17,867	18,415	18,380	19,121	19,199	19,902	20,458	20,678	21,001	22,192
Cash & Equivalents	330	202	218	128	314	544	734	531	267	353
Total Liabilities	7,688	8,021	7,744	8,128	8,444	8,966	9,202	8,893	9,060	10,358
Long-Term Debt	7,068	7,350	7,061	7,450	7,732	8,256	8,464	8,121	8,235	9,478
Shareholder's Equity	10,171	10,388	10,633	10,990	10,752	10,933	11,253	11,783	11,941	11,611
LTD/E Ratio	0.69	0.71	0.66	0.68	0.72	0.76	0.75	0.69	0.69	0.82

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	5.9%	4.8%	5.3%	4.2%	4.3%	5.1%	5.6%	4.5%	5.2%	4.9%
Return on Equity	10.3%	8.5%	9.2%	7.2%	7.6%	9.2%	10.2%	8.0%	9.1%	8.9%
ROIC	6.1%	5.0%	5.5%	4.3%	4.5%	5.3%	5.8%	4.7%	5.4%	5.1%
Shares Out.	137.0	137.7	138.1	140.3	139.2	139.5	139.7	141.9	142.1	142.1
Revenue/Share	14.83	15.58	16.48	16.61	16.32	16.70	18.85	19.94	20.79	21.64
FCF/Share	8.66	9.22	9.04	8.54	7.79	7.97	9.28	9.66	9.98	9.90

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