

INVESTING IN REITS

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AAll Silicon Valley Chapter

November 12, 2016

REIT Overview

- **REITs were created by Congress in 1960 to allow ordinary investors to invest in commercial real estate.**
- **If REITs pay out at least 90% of their net income to shareholders, they don't pay income tax.**
- **However these dividends are not qualified, so shareholders are taxed at ordinary taxable income rate.**
- **Recommend holding REITs in tax deferred IRA accounts.**

REIT Development

- **In 1990 there were 119 REITs with a market cap of \$ 9 billion.**
- **2015: 233 REITs market cap of \$ 939 billion.**
- **September 2016, Standard & Poor's added REITs as the 11th industry sector in the stock market.**
- **There are 9 REIT subsectors.**
No. 1 Retail, 2 Specialized, 3 Residential, 4 Healthcare, 5 Office, 6 Hotel, 7 Industrial, 8 Diversified, 9 Mortgage.

NAREIT Resource

The National Association of REITs: NAREIT, has a huge source of information about REITs in its website: reit.com

Lists of about 200 REITs with links to their websites.

Lists of about 100 REIT mutual funds, ETFs, and closed end funds, with links to their websites.

Sections covering REIT history, operation, and statistics.



LOG-IN JOIN CONTACT

🏠 INVESTING DATA & RESEARCH NEWS ADVOCACY MEDIA **NAREIT & YOU**

REIT INDEXES

- Real Time Index Returns
- Daily Returns (US & Global)
- Historical REIT Returns
- PureProperty® Index
- Top 20 Global Constituents
- Index Comparison Tool

DATA

- REIT Industry Snapshot
- REITWatch
- US REIT Industry Equity Market Cap
- REIT Capital Offerings
- Year End Tax Reporting Data
- T-Tracker®
- Annual Proxy Data

RESEARCH

- NAREIT Research
- Sponsored Research
- Third-Party Research
- Market Commentary

NAREIT Developments Blog

Upcoming Events

LIBRARY Resources

- **The Santa Clara County Library offers free online access to 3 excellent investing websites: Value Line, Morningstar, & Standard & Poor's.**
- **Library cards are free to California residents. Branches include Saratoga, Cupertino, Los Altos & Campbell.**
- **Printed versions of some of their products are also available at the branches.**
- **Their websites offer excellent research on REIT, and other, stocks, industries, mutual funds & ETFs.**
- **Note: Standard & Poor's has an 83 page report on REIT Sector.**
- **You can read Morningstar's 4 newsletters.**

AVALONBAY COMM. NYSE-AVB

RECENT PRICE **181.76**

PE RATIO **24.3** (Trailing: 31.2 Median: NMF)

RELATIVE PE RATIO **1.31**

DIVD YLD **3.2%**

VALUE LINE

TIMELINESS 4 Lowered 10/9/16
SAFETY 2 Raised 11/0/15
TECHNICAL 3 Lowered 9/30/16
 BETA .75 (1.00 - Market)

High: 93.0 134.6 149.9 113.1 87.8 116.1 139.9 151.2 142.0 170.1 188.9 192.3
 Low: 65.0 88.0 88.0 41.4 38.3 71.8 107.5 123.7 116.0 114.2 158.7 160.7

LEGENDS
 — 100 x Dividends p sh divided by Intraed Date
 - - - - - Relative Price Strength
 Options: Yes
 Shaded area indicates recession

2019-21 PROJECTIONS

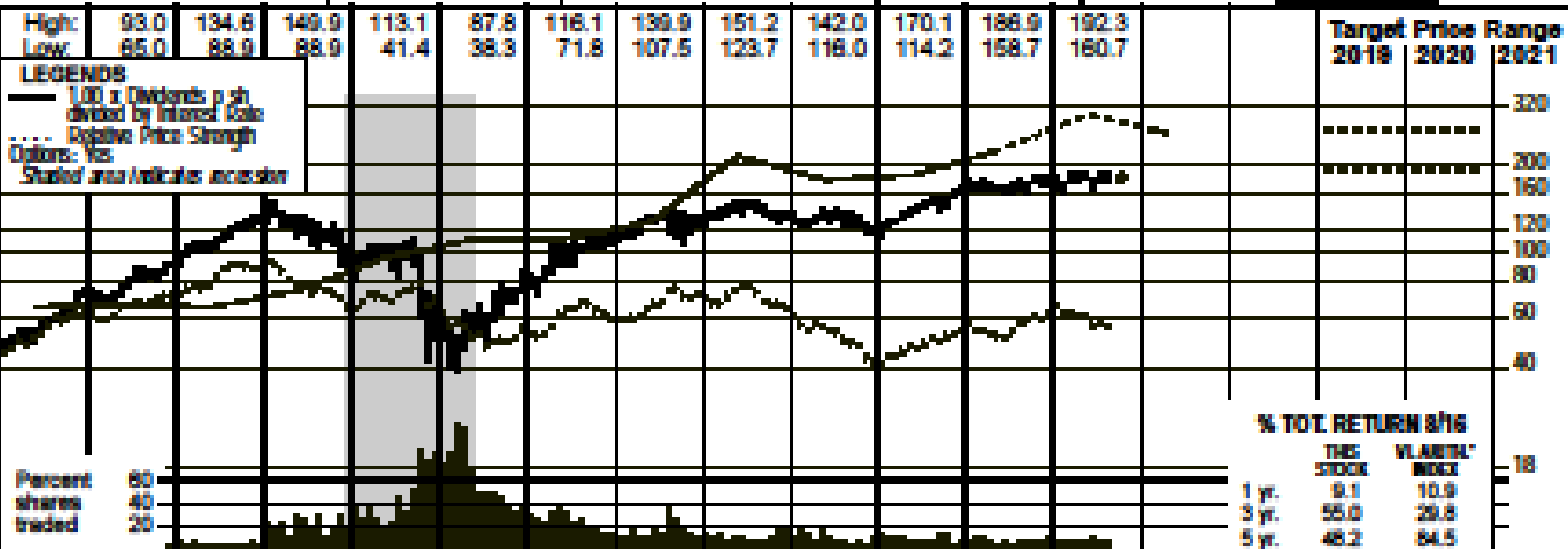
	Price	Gain	Ann'l Total Return
High	286	(+45%)	13%
Low	186	(+5%)	5%

Institutional Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	5	4	0	9	4	0	18	0	0
to Sell	6	1	0	1	2	0	8	0	0

Institutional Decisions

	4Q2016	1Q2017	2Q2017	Percent shares traded
to Buy	232	234	251	60
to Sell	194	188	185	40
Net Buy	132954	139711	133781	20



AvalonBay Communities was formed out of a merger between Avalon Properties Inc. and Bay Apartment Communities in June 1998. The merger was accounted for under the purchase method of accounting, with Bay as the legal surviving entity.

CAPITAL STRUCTURE as of 8/30/18
 Total Debt \$6834.0 mill. Due in 5 Yrs \$2650.2 mill.
 LT. Interest \$320.0 mill.
 (Total Interest coverage: 5.2x)
 (41% of Cap'l)
 No Defined Benefit Pension Plan
 Pfd Stock None.
 Common Stock 137,313,555 shs. as of 7/26/18

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
Book Value per sh	33.90	37.85	37.82	37.41	38.54	46.17	59.77	66.42	68.51	71.83	74.30	77.45		87.85
Funds from Ops per sh	4.38	4.61	4.07	3.89	4.00	4.57	5.32	5.05	7.25	8.05	8.40	8.00		11.50
Earnings per sh ^A	2.27	2.25	1.34	.97	1.17	1.84	2.70	.46	4.92	5.51	7.50	7.00		8.50
Div'ds Decl'd per sh ^B	3.12	3.40	3.57	3.57	3.57	3.57	3.88	4.28	4.64	5.00	5.40	5.85		7.82
Loans & Real Est per sh	73.36	81.40	86.23	83.82	80.97	78.01	70.06	110.4	113.1	116.37	120.00	123.25		135.15
Common Shs Outst'g ^C	74.67	77.32	77.12	81.53	85.90	95.18	114.40	129.42	132.05	137.00	140.00	142.00		148.00
Premium Over Book	235%	219%	135%	63%	155%	169%	131%	95%	109%	139%				160%
Avg Ann'l P/E Ratio	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	29.0	31.2	Bold figures are Value Line estimates			NMF
Avg Ann'l P/FFO Ratio	25.9	21.9	21.8	15.7	24.5	25.9	25.7	25.7	19.7	21.3				20.0
Avg Ann'l Div'd Yield	2.7%	2.8%	4.0%	5.8%	3.6%	2.8%	3.3%	3.3%	3.3%	2.9%				3.4%
Revenues(\$mill)	737.3	812.7	854.2	851.6	895.3	968.7	1038.7	1462.9	1685.1	1856.0	2050	2250		2850
Other Income(\$mill)	--	--	--	--	--	--	--	--	--	--	Nil	Nil		Nil
Operating Margin	58.8%	57.4%	48.9%	50.5%	56.4%	58%	59.9%	54.8%	62.8%	62.7%	64.5%	65.0%		65.0%
Net Profit(\$mill) ^D	179.8	188.5	114.4	77.8	99.3	166.2	264.5	57.4	645.4	742.0	1050	1000		1350

AvalonBay Communities Inc AVB | ★★★

[PDF Report](#)

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Last Price **Day Change**
\$167.46 **↑1.76 | 1.06%**

After Hours : 167.46 0.00 | 0.00%
 As of Fri 10/28/2016 5:22 PM EST | USD
 BATS BZX Real-Time Price

Open Price \$ 166.53	Day Range 165.70-169.62	52-Week Range 159.18-192.29	Yield 3.16%	Market Cap 23.0 bil	
Volume 897,587	Avg Vol. 759,291	Forward P/E 33.8	Price/Book 2.3	Price/Sales 11.6	Price/Cash Flow 20.6

Stock Price AVB

[More...](#)

- Zoom: 1D 5D 1M 3M YTD 1Y 3Y 5Y 10Y **Maximum**

XNYS:AVB: +146.59 | +702.20%



Dividends AVB

[More...](#)

Declared Date	09/13/2016
Ex-Dividend Date	09/28/2016
Latest Indicated Dividend Amount	1.3500
Yield	3.16%
Projected Yield	3.22%

Recent Dividends

Date	Type	Amount
09/28/2016	Cash Dividends	1.3500
06/28/2016	Cash Dividends	1.3500



- Company Profile
- Overview
- Quote
- News/Press Releases
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- Vital Statistics
- Valuation
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- Dividends & Stock Splits
- Industry Information
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Stock Report | October 25, 2016 | NYS Symbol: **AVB** | **AVB** is in the S&P 500

AvalonBay Communities Inc.

S&P Capital IQ Recommendation HOLD ★★★★★

S&P Capital IQ Equity Analyst Ken Leon

Price \$166.87 (as of Oct 25, 2016 4:00 PM ET) **12-Mo. Target Price** \$170.00 **Report Currency** USD **Investment Style** Large-Cap Blend

GICS Sector Real Estate **Sub-Industry** Residential REITS **Summary** This real estate investment trust, formed via the merger of Bay Apartment Communities and Avalon Properties, specializes in upscale apartment communities.

Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	\$192.29– 159.18	S&P FFO/Sh. 2016E	8.20	Market Capitalization(B)	\$22.914	Beta	0.62
Trailing 12-Month FFO/Share	\$4.11	S&P FFO/Sh. 2017E	8.80	Yield (%)	3.24	S&P 3-Yr. FFO/Sh. Proj. CAGR(%)	NA
Trailing 12-Month P/FFO	NA	P/FFO on S&P FFO/Sh. 2016E	20.4	Dividend Rate/Share	\$5.40	S&P Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$15,708	Common Shares Outstg. (M)	137.3	Institutional Ownership (%)	97		

Price Performance

30-Week Mov. Avg. 10-Week Mov. Avg. -- GAAP Earnings vs. Previous Year Volume Above Avg. 📈 STARS

Analyst's Risk Assessment

LOW MEDIUM HIGH



How to invest in REITs: Complicated or Simple

- **Complicated: Buy several REIT stocks, funds or ETFs from the several hundred choices available.**
- **Simple: Buy Vanguard REIT Index Fund which holds 150 REITs. Total assets about \$64 Billion. 3 choices:**
- **VGSLX Admiral Fund: Expense .12%. Minimum \$10K**
- **VGSIX Investor Fund: Expense .26%. Minimum \$3K**
- **VNQ ETF: Expense .12%. Minimum none**