An Investigation Into Investing in REITs

As I continue with your suggestions, many of you have asked about REITs as those have fallen from grace over the last 12 months. (**BEFORE READING: I HOPE I AM WRONG, BUT THIS COULD ALSO SAVE YOU A LOT OF MONEY AND TROUBLE**)

Harrison [redacted] a month ago

Thanks Sven - as a UK National I appreciated the in-depth look at the FTSE.

As you noted on YouTube, you identified a few REIT's of interest. As most of them globally seem to be hit by the current interest rate environment I would be extremely interested to know more about the sector and more about specific REIT's with strong balance sheets and consequently/hopefully a decent eventual upside.

Thanks again for all your hard work and research.

Georgi a month ago

Hi, Sven! Thank you for the great work you are doing! I am interested in one REIT - Alexandria Real Estate Equities Inc (Ticker: ARE). Would appreciate it if you could share your point on it.

David M 3 days ago

Allied Properties (AP-UN). Canadian Office REIT.

Alessio [redacted] a month ago

REITs in general have crashed a lot and I would love a deep dive. In the past they performed well after the end of a hiking cycle, which potentially is near us.

Curtis [redacted] a month ago

I'm also a Canadian and would like to see some more Canadian analysis. Including those that Ryan mentioned, I'd be interested in a deeper dive into some of the REITs that are at attractive yields and valuations. What I think would be very useful to would be an analysis of the risks that could drive a REIT into bankruptcy. A few years ago, you covered SRU-UN and SGR-UN, and I would be interested in whether your opinion of these has changed.

Stefan [redacted] a month ago

German real estate companies (there are REIT but also companies without REIT structure witch do RE) has multiple headwinds atm and the scandal of some companies with fraudulent accounting (Adler Real Estate) or at least questionable accounting.
This combined with the rising interest rates and therefore falling prices you can sell RE for turned the hole sector down.
I did not have the time to look into all the companies, so sadly i cant tell you my opinion on the best company to look into.
But there seems to be (in my opinion) overselling of the sector, so it could be worth washing the dirt for gold.
Key tailwind is the lack of space to rent, therefore rising rent prices.
And people with land want the price per m² from 2021 witch nobody is paying at 4% interest, so nothing that ins build will get build anytime soon.
Opportunity because of loss of trust because of the accounting scandal and marco.
Key Risks:
Rising interest Rates and falling valuations of property
Depending on the company maybe questionable accounting
In certain areas (City of Berlin) political headwind (rising rents -> referendum to get living space out of the hands of companies)
New requirements of energy efficency, witch could cost a lot of money if you dont have the standart allready

Frank [redacted] a month ago

I am positively surprised how active this community can be ;-) Here is my addition, even if you do not look for turn-around stories right now. There might be value ;-)
Noratis, a German REIT that has been beaten down 80% (>50% of which during the last 12 months). EBIT turned negativ in 2023 due to write-downs on assets. Dividend has been suspended and they have pretty much ceased to acquire assets.

So where is the value then? Noratis' properties consist of more than 4,000 apartments catering to middle and lower income tenants. Given the economic outlook, blended with a growing population and the fact that new building permits have fallen off a cliff, Noratis appears to be playing exactly where the ball seems be rolling to.

Book value of their properties is around 250 Million EUR whilst the company is trading below 30 Million market cap. They were able to increase rental income by 11% over the last 12 months. The CEO holds around 6% of the shares, 40% is free float with the balance being held by a German family office.

Risks: 10% interest rates, more climate extremist EU regulations, WW3. The biggest risk, however, is me being invested in the stock, which always seems to cast a spell on companies ;-)

Opportunity: Macro environment tailwind for years to come and lower interest rates could make the stock jump. Maybe not a ten-bagger, but a 3x over 5 years does not seem like a stretch of imagination.

Jonathan [redacted] month ago

Hi Sven

Here's what I understood from your resources and other unfrequent searches of mine:
- ok, interest rates are high now, they are supposed to be that way to fight inflation... but governments will always have to face the dilemma "increase taxes or make more debt?"; since debt is a tax that nobody notices, governments will opt to go with making more debt, pretending inflation is not happening.
- so interest rates will go down eventually, but not inflation. This should be an environment favorable to REITs, right?
- since REITs are low now, becuase when interest rates are high, REITs are low... this could be a good time to look at REITS, isn't it?
- to be more specific... US and North American I believe they are well covered, plus I'm not sure I trust much the US market... whereas other REITs such as European REITs are not that covered, apart from VONOVIA (which is not technically a REIT for whatever reason and blabla) and a few others.
- So, since nobody is researching this niche (if I understand it correctly) it might be a unique service that one that starts doing it..

But all said it humbly, from a guy who knows still has to understand a lot...

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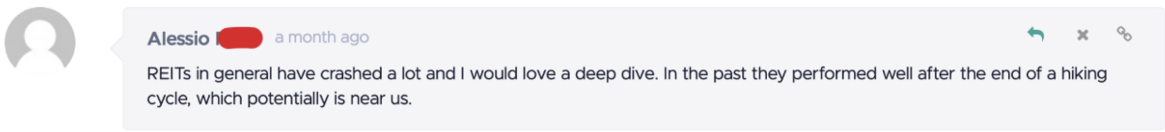
THE REITs INVESTING RISK AND REWARD SUMMARY

Let me start by saying that investing in REITs is a game of interest rates! DRUCKENMILLER JUST SAID HE DOESN'T KNOW WHERE WILL RATES GO - THOSE COULD GO LOWER AS MOST THINK, BUT COULD ALSO GO HIGHER! I don't think there is anybody smarter than Druckenmiller in that field, so... invest into predicting where will interest rates go at your own peril.


Alessio [redacted] a month ago

REITs in general have crashed a lot and I would love a deep dive. In the past they performed well after the end of a hiking cycle, which potentially is near us.

Apart from interest rates, that are the most important factor, we have other factors impacting REITs:

- INTEREST RATES
- DEBT LEVELS
- QUALITY OF ASSETS
- RISK and YIELD
- INFLATION and RENT INCREASES

I'll first explain all the above and then I'll discuss 5 REITs where you will see whether investing in REITs suits you personally. At the end it is a vehicle to own RE, and you have to see how that fits you.

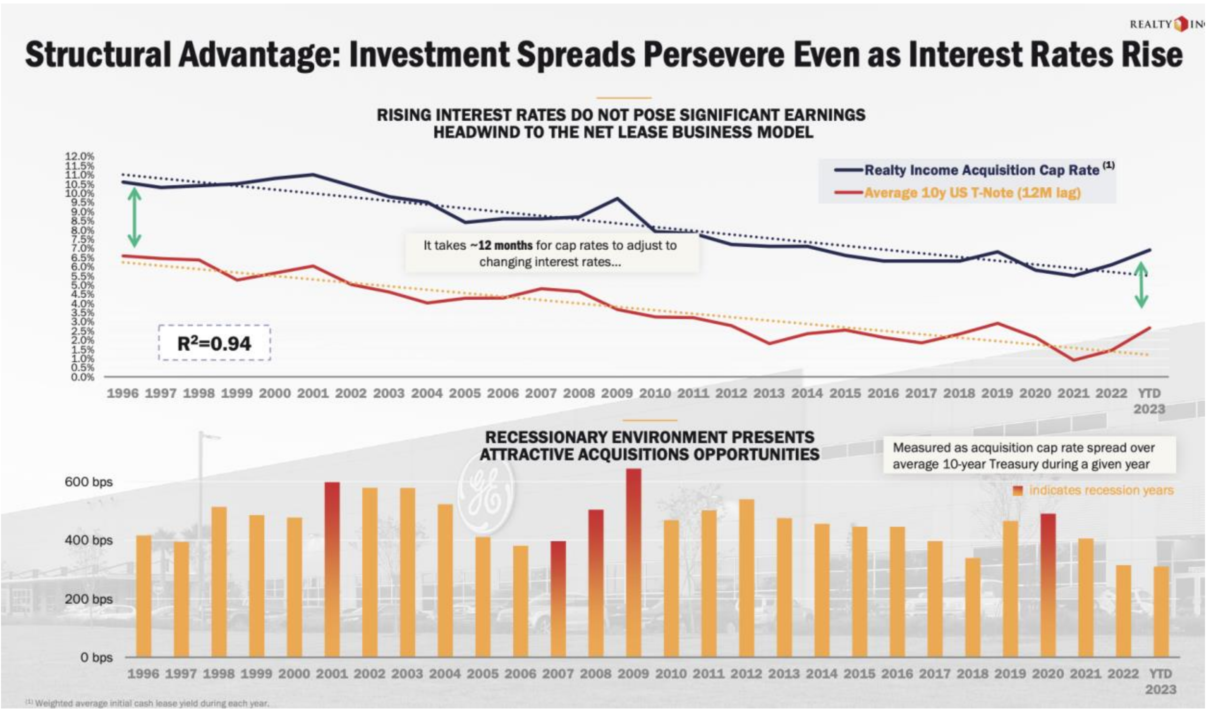
1) THE INTEREST RATE GAME

First, REITs are about yield, and thus you always compare the dividend yield with the risk-free rate you can get in your bank or from your government. With yields going up to 3% in Europe and 5% in the US, a dividend yield of 3 or 5% doesn't cut it, and you need at least a bit more (of course, depending on the quality of the REIT).

US 5 YEAR TREASURY YIELD:

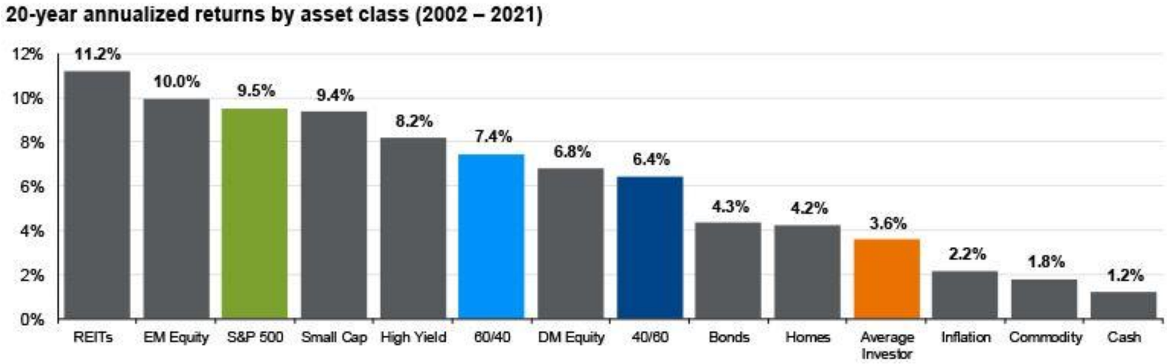
Secondly, REITs are leveraged growth vehicles where the only way to grow is to borrow more and then invest. Higher interest rates create a burden on interest payments and can lead to dividend cuts over time as a REIT pays a dividend out from available funds.

Thirdly, higher interest rates lower real estate values. You buy a property in relation to the cap rate it has (net operating income vs. price).



Cap rates for real estate went from 11% in 1996 to 8% 2021 but are now rising. Good properties also have lower yields in good times and if you pay one million for a cap rate of

5% and then the rate goes to 10%, all else equal, the value of the property goes from one million to half. The opposite also holds and that is why REITs have been the best performing asset class over the last two decades when interest rates went from 6% to 0%.



If we have a decade or two with a reversal in interest rates, REITs might be at the right end of the above JPM chart with lower RE values and lower dividend yields due to higher rates.

So, it is for sure an interest rate game and you have to see how it fits you, things are not fixed in the REIT world even if it seemed like that since 2013, but some of you might remember the 2007-2012 situation.

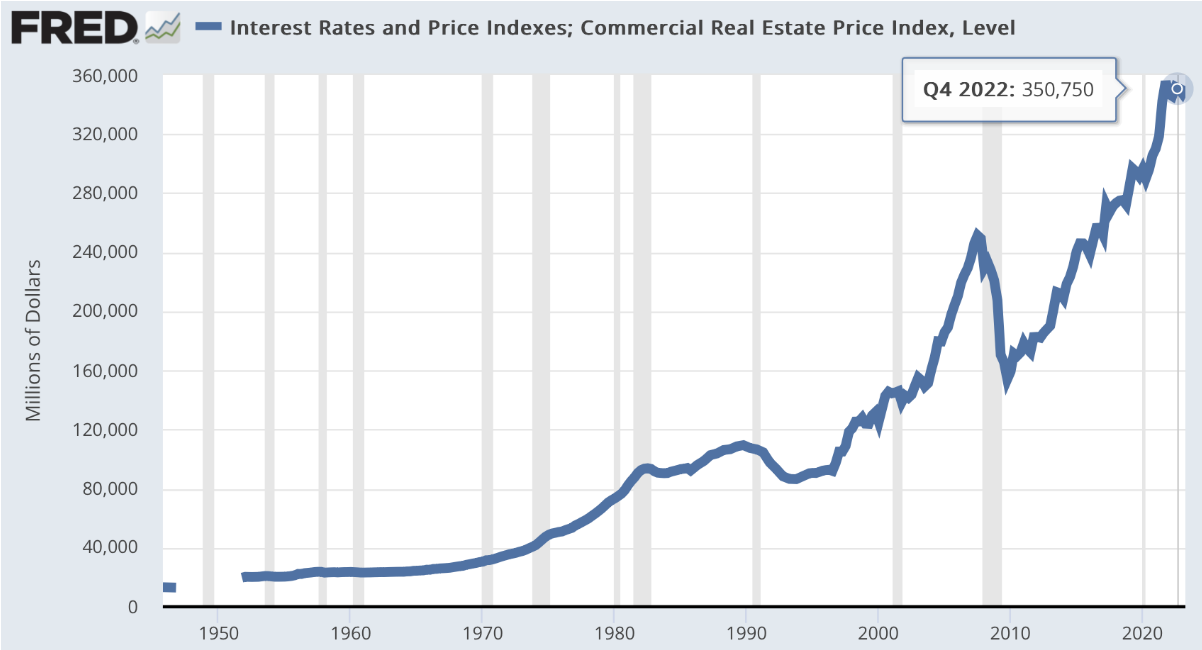
2) DEBT LEVELS

The average shareholder is always cheering and incentivizing his manager to grow where managers can't say no because they would soon be replaced. Therefore, REITs take on debt and then buy properties. Over the last decade, interest rates were very low while cap rates were above interest rates. In such a situation, you make money on the spread. If you borrow at 4% and have rental income at 8%, you make a lot of money.

However, if the value of the property goes down, the interest goes up and there are issues because you can't refinance at the same rate, the bank might put you into trouble and the equity on the loan can quickly be erased.

Thus, for investors, REITs with lower debt levels will be more stable and vice versa.

The thing is that when debt is cheap, real estate prices are high, and that is exactly the time when REITs do most of their investing. Most REITs invested the most money in 2021 to 2023 where RE prices skyrocketed:



A 2007-2010 situation with RE prices falling, something we haven't seen yet, would be extremely detrimental to REITs.

3) QUALITY OF ASSETS

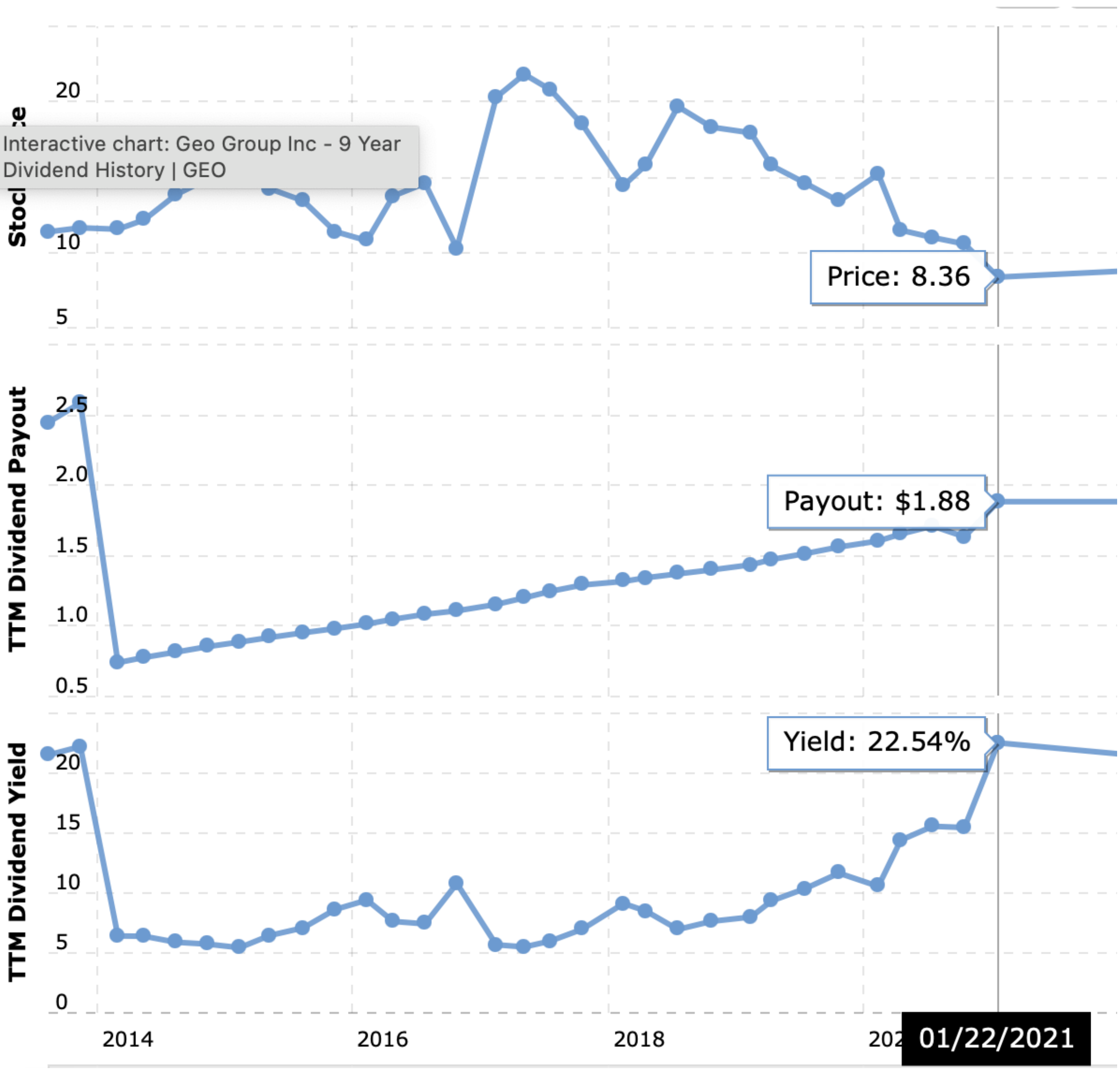
There are various types of REITs, from residential, commercial to medical or logistic. All these sectors have various influences on them and you have to check the specific risk of each REIT. Plus, the better properties will have a lower cap rate and vice versa, that is normal when it comes to investing.

Further, REITs did really well in the last 20 years, but the fact is also that there has been so much demand for RE from various funds, private investors etc. so that good properties get good prices.

Look at the properties your REIT owns, and think how would those fare in recessions, tourism crises, low food prices, low venture capital investments, prisons, bad times for bitcoin or whatever REIT related impact.

4) RISK and YIELD

I often got questions about REITs that offered dividends of above 10%. At some point in time, the dividend yield of the GEO group went to 22%.



That wasn't sustainable and now the dividend yield is zero. The stock obviously followed:

Now, looking at market mispricing with REITs is a potentially profitable activity, but I don't think it is for retail investors. Specialized funds, that know how to deal with bankruptcies and both equity and debt seem to be better suited for such ventures. It would be silly for me to suit up, take a suitcase and go to court somewhere chasing my interest in a REIT investment gone bad.

Thus, with REITs, it is very often the case that the yield is there because the risk is also there. But, the risk is also there when the yield is low due to the perceived quality of the REIT. For example, as we will discuss later, Alexandria REIT is specialized in medical properties, a sector that was booming in 2021 due to the pandemic and extremely high venture capital investments. Investors believed such a situation will last forever and were happy with a 2.5% yield. Unfortunately, the trend reverted, venture investments dried up and we now have a 5% yield. Yes, that means a 50% decline.

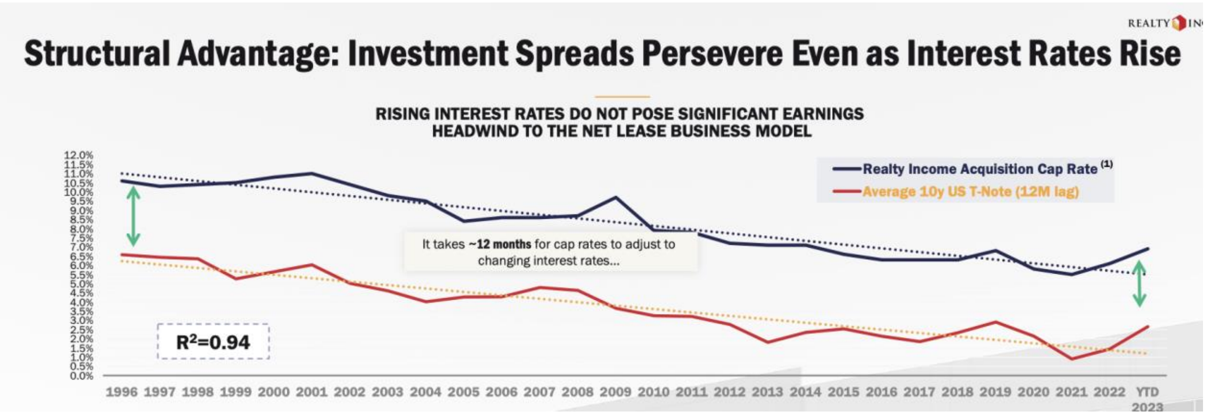
5) INFLATION and RENT INCREASES

Now, this should be a positive that should at least in a way lower the impact rising rates have on REITs, but the impact isn't that direct and especially not in bad economic times. Plus, it seems that inflation isn't enough to compensate for rising rates, especially as RE values go down with higher rates.

Further, logic would suggest inflation should increase RE values. However, in my mind, that has already happened in the last 10 years where RE prices doubled on average! Things are not linear with financial assets, but often happen much before or much later.

MY CONCLUSION ON INVESTING IN REITs!

First, the dividend yield of a good REIT now is 5%, but the cap rates are at 10%.



Therefore, my logic is that it is better for me to invest in such real estate properties myself rather than paying 50% of the net income to the management and REIT costs. Of course, learning how to invest in such properties would take at least half a decade of work, but I think it is worth it because you can find a good property and simply enjoy the benefits forever. To me, REITs seem to leveraged and to aggressive when it comes to common sense investing for two reasons:

I think there are good times to invest in RE and bad times! I bought a house in the Netherlands in 2015 because it was a great time, but most REITs spend most of their money when real estate prices were at their highest. I have a feeling REITs are behaving like the stripper in the movie The Big Short that had 5 leverage properties all bought in 2007.

I feel the above screenshot summarizes the risk of investing in REITs!

Now, you see REIT prices down and you think now is the opportunity to buy, but you are betting on a reversal in interest rates, and a long-term one. Could happen, but I have seen too much ugliness related to REITs even in good times, that I don't think the risk is worth it. And no, me researching REIT by REIT is also not worth it because I don't like REITs and therefore wouldn't find anything, but also because there is so much competition there, that it is hard to find something.

I understand you are attracted by stock prices shooting up, but keep in mind the 1999 to 2007 period was one with interest rates going from 6 to 2% and the 2010s were a decade with ZERO, I repeat, ZERO INTEREST RATES!

Yes, REIT stocks can go up, but also down. Too much betting there.

Market Summary > Alexandria Real Estate Equities Inc

104,00 USD

+ Follow

+82.00 (372.73%) ↑ all time

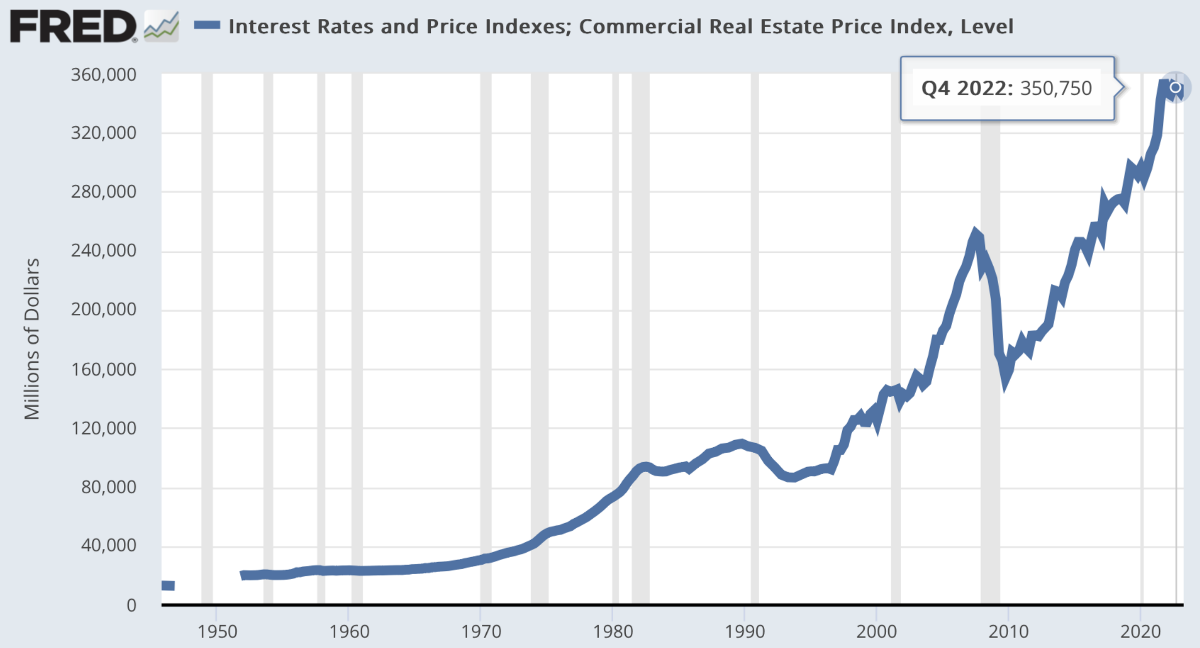
16 Nov, 10:45 GMT-5 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max

Open	106,00	Mkt cap	18,14B	CDP score	B
High	106,34	P/E ratio	74,95	52-wk high	172,65
Low	104,20	Div yield	4,75%	52-wk low	90,73

I think the fact that Buffett doesn't invest in REITs, even if he dipped his toe into Store Capital and even exited before the takeover, tells me that there is a risk related to REITs that very few of us think about because we simply don't have the knowledge or temporal memory to understand the big structural movements in real estate. Since the 1980s things have been great, but few of us lived in the 1970s to know how ugly it can get! I wouldn't with a 1970s situation to anyone invested in leveraged REITs but don't ask me what can happen.

My conclusion, if I wish to invest in RE, I will do it myself when the time is right. The right times were the 1970s, 1990s and early 2010s.



So, I think all of us will get the opportunity for amazing real estate investments a few times over our lifetime. That is perfectly enough to get all the benefits from RE one can enjoy in life and I think Buffett explains it best in his 2013 letter to shareholders:

Some Thoughts About Investing

Investment is most intelligent when it is most businesslike.
— *The Intelligent Investor* by Benjamin Graham

It is fitting to have a Ben Graham quote open this discussion because I owe so much of what I know about investing to him. I will talk more about Ben a bit later, and I will even sooner talk about common stocks. But let me first tell you about two small non-stock investments that I made long ago. Though neither changed my net worth by much, they are instructive.

This tale begins in Nebraska. From 1973 to 1981, the Midwest experienced an explosion in farm prices, caused by a widespread belief that runaway inflation was coming and fueled by the lending policies of small rural banks. Then the bubble burst, bringing price declines of 50% or more that devastated both leveraged farmers and their lenders. Five times as many Iowa and Nebraska banks failed in that bubble's aftermath than in our recent Great Recession.

In 1986, I purchased a 400-acre farm, located 50 miles north of Omaha, from the FDIC. It cost me $280,000, considerably less than what a failed bank had lent against the farm a few years earlier. I knew nothing about operating a farm. But I have a son who loves farming and I learned from him both how many bushels of corn and soybeans the farm would produce and what the operating expenses would be. From these estimates, I calculated the normalized return from the farm to then be about 10%. I also thought it was likely that productivity would improve over time and that crop prices would move higher as well. Both expectations proved out.

I needed no unusual knowledge or intelligence to conclude that the investment had no downside and potentially had substantial upside. There would, of course, be the occasional bad crop and prices would sometimes disappoint. But so what? There would be some unusually good years as well, and I would never be under any pressure to sell the property. Now, 28 years later, the farm has tripled its earnings and is worth five times or more what I paid. I still know nothing about farming and recently made just my second visit to the farm.

In 1993, I made another small investment. Larry Silverstein, Salomon's landlord when I was the company's CEO, told me about a New York retail property adjacent to NYU that the Resolution Trust Corp. was selling. Again, a bubble had popped – this one involving commercial real estate – and the RTC had been created to dispose of the assets of failed savings institutions whose optimistic lending practices had fueled the folly.

Here, too, the analysis was simple. As had been the case with the farm, the unleveraged current yield from the property was about 10%. But the property had been undermanaged by the RTC, and its income would increase when several vacant stores were leased. Even more important, the largest tenant – who occupied around 20% of the project's space – was paying rent of about $5 per foot, whereas other tenants averaged $70. The expiration of this bargain lease in nine years was certain to provide a major boost to earnings. The property's location was also superb: NYU wasn't going anywhere.

I joined a small group, including Larry and my friend Fred Rose, that purchased the parcel. Fred was an experienced, high-grade real estate investor who, with his family, would manage the property. And manage it they did. As old leases expired, earnings tripled. Annual distributions now exceed 35% of our original equity investment. Moreover, our original mortgage was refinanced in 1996 and again in 1999, moves that allowed several special distributions totaling more than 150% of what we had invested. I've yet to view the property.

Income from both the farm and the NYU real estate will probably increase in the decades to come. Though the gains won't be dramatic, the two investments will be solid and satisfactory holdings for my lifetime and, subsequently, for my children and grandchildren.

I tell these tales to illustrate certain fundamentals of investing:

- You don't need to be an expert in order to achieve satisfactory investment returns. But if you aren't, you must recognize your limitations and follow a course certain to work reasonably well. Keep things simple and don't swing for the fences. When promised quick profits, respond with a quick "no."
- Focus on the future productivity of the asset you are considering. If you don't feel comfortable making a rough estimate of the asset's future earnings, just forget it and move on. No one has the ability to evaluate every investment possibility. But omniscience isn't necessary; you only need to understand the actions you undertake.
- If you instead focus on the prospective price change of a contemplated purchase, you are speculating. There is nothing improper about that. I know, however, that I am unable to speculate successfully, and I am skeptical of those who claim sustained success at doing so. Half of all coin-flippers will win their first toss; *none* of those winners has an expectation of profit if he continues to play the game. And the fact that a given asset has appreciated in the recent past is *never* a reason to buy it.
- With my two small investments, I thought *only* of what the properties would produce and cared not at all about their daily valuations. Games are won by players who focus on the playing field – not by those whose eyes are glued to the scoreboard. If you can enjoy Saturdays and Sundays without looking at stock prices, give it a try on weekdays.
- Forming macro opinions or listening to the macro or market predictions of others is a waste of time. Indeed, it is dangerous because it may blur your vision of the facts that are truly important. (When I hear TV commentators glibly opine on what the market will do next, I am reminded of Mickey Mantle's scathing comment: "You don't know how easy this game is until you get into that broadcasting booth.")

Buffett's ideas applied to REITs would be the following:

1) Keep things simple - I feel too many are chasing quick profits here!

2) Focus on the future productivity: if interest rates go higher, while the economy remains sluggish (could happen given the debt bubble we are living in), most REITs would be in a very bad situation with issues for covering their interest payments and debt levels. Vonovia is already selling below book, time will tell if they can sell enough.

3) Don't speculate - INVEST IN REITs and BE A HAPPY OWNER - IF YOU CAN DO THAT, THEN OK - YOU DON'T NEED ANYONE's HELP WITH THAT!

4) ENJOY THE CASH FLOWS

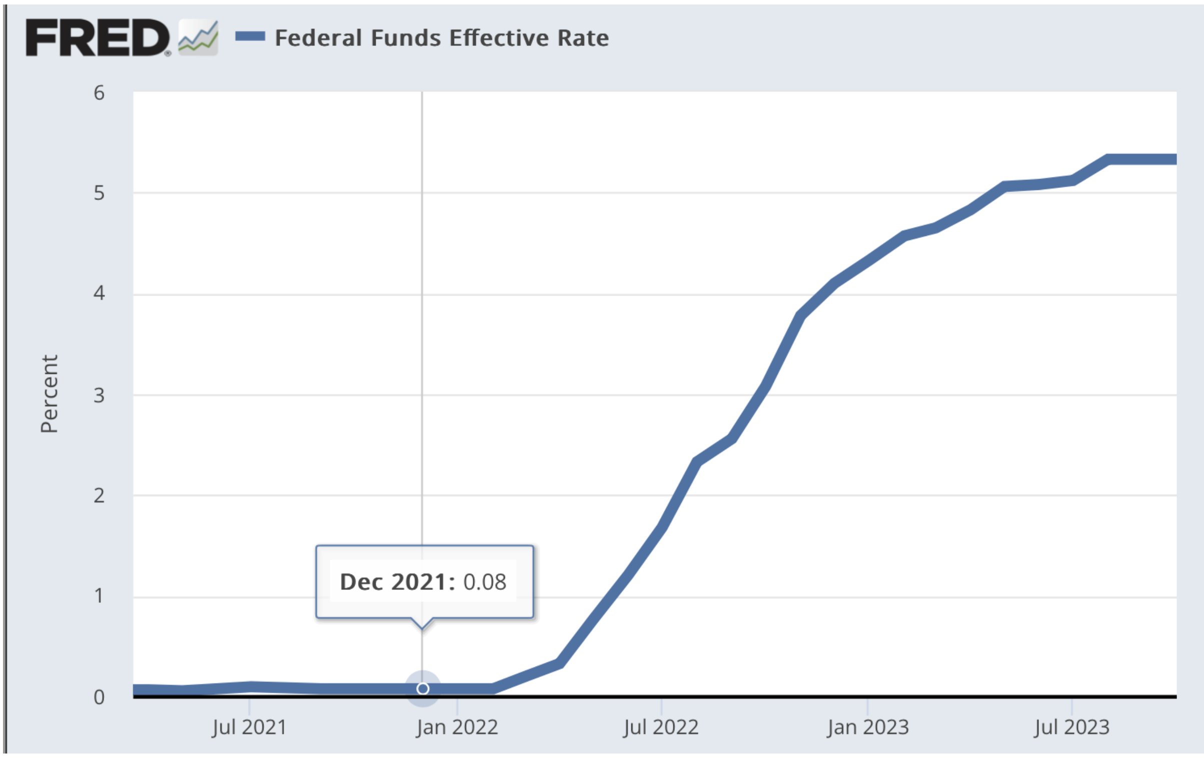
5) INVEST WHEN THERE IS NO DOWNSIDE, AND ONLY UPSIDE LIKE BUFFETT DID! Unfortunately, with all listed REITs out there, there is downside. If you buy your own property, knowing that you can manage whatever, that no bank can take it from you, then you have a good investment that you can enjoy and your grandchildren will too!

And yes, IT IS NOT EASY, IF IT WAS EASY TO GET AND REMAIN RICH, EVERYBODY WOULD DO IT!

THE REITs SITUATION

From the peak in December 2021, REITs have lost 30% as the Vanguard Real Estate Index fund ETF fell that much since.

REITs started declining as soon as it was clear that interest rates would go up.



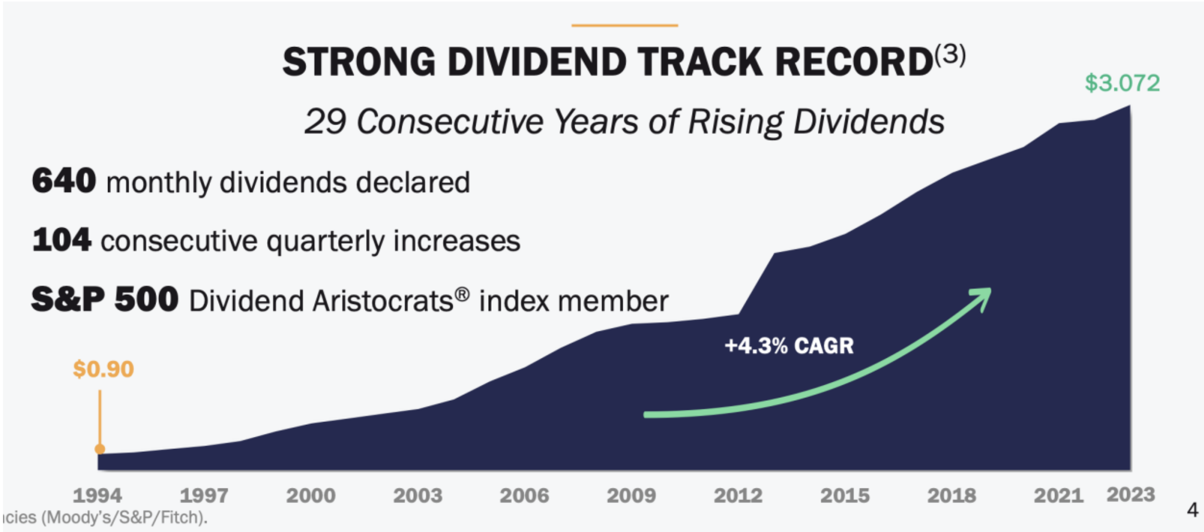
It is simple logic; if you can get 0% at your bank, you are looking for yield somewhere else, but if you can get 5% from your bank as you can now in the US, then suddenly even 5% isn't enough anymore and you need at least 7% to cover for the risk of owning a REIT compared to the risk-free government rate.

For example, large REITs like Realty Income NYSE:O are now yielding 6%.

With a dividend of $3, at $75 the yield is 4%, at $50, the yield is 6%. If you wonder why the yield isn't at 9% given interest rates went from 0% to 5%? The market expects yields to decline, as it did expect those to rise back in 2020/2021. Therefore, it all isn't a mathematical relation.

Further on REITs, as interest rates go up, so does their cost of debt increase. Given that REITs are usually leveraged real investment vehicles, debt costs are very significant.

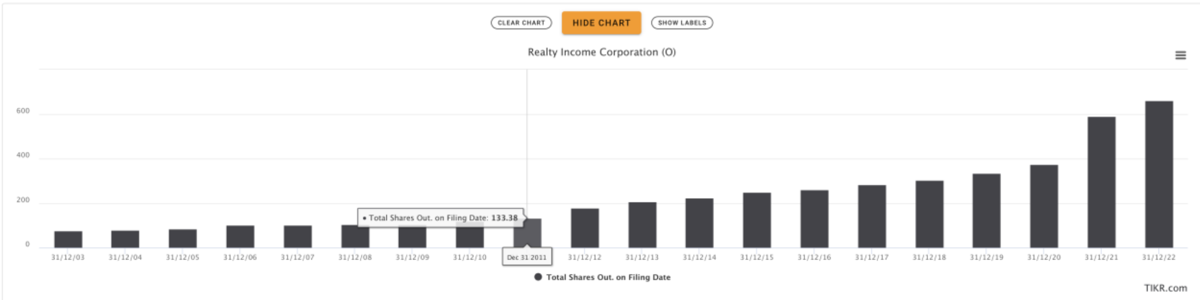
Realty Income NYSE: O- The QUALITY?



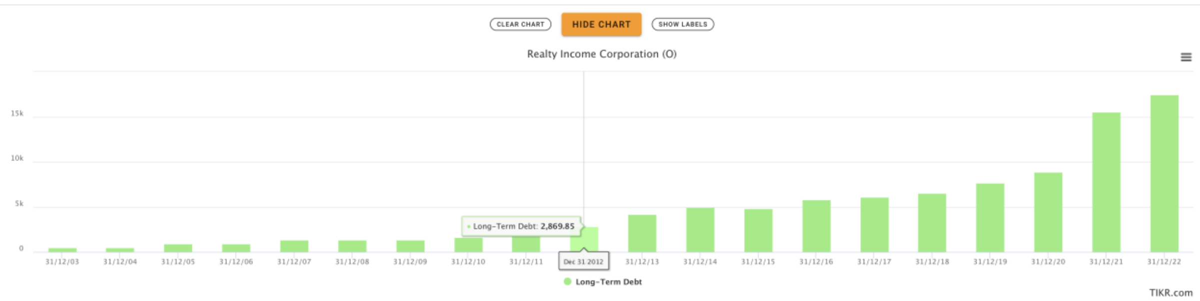
Ok, nothing wrong with the above, but still just 4.3% growth per year.

However, why I find it very hard to invest in REITs is the following, and each time I look at those I get reminded about the negatives.

Realty income has issued significant amounts of equity over time:

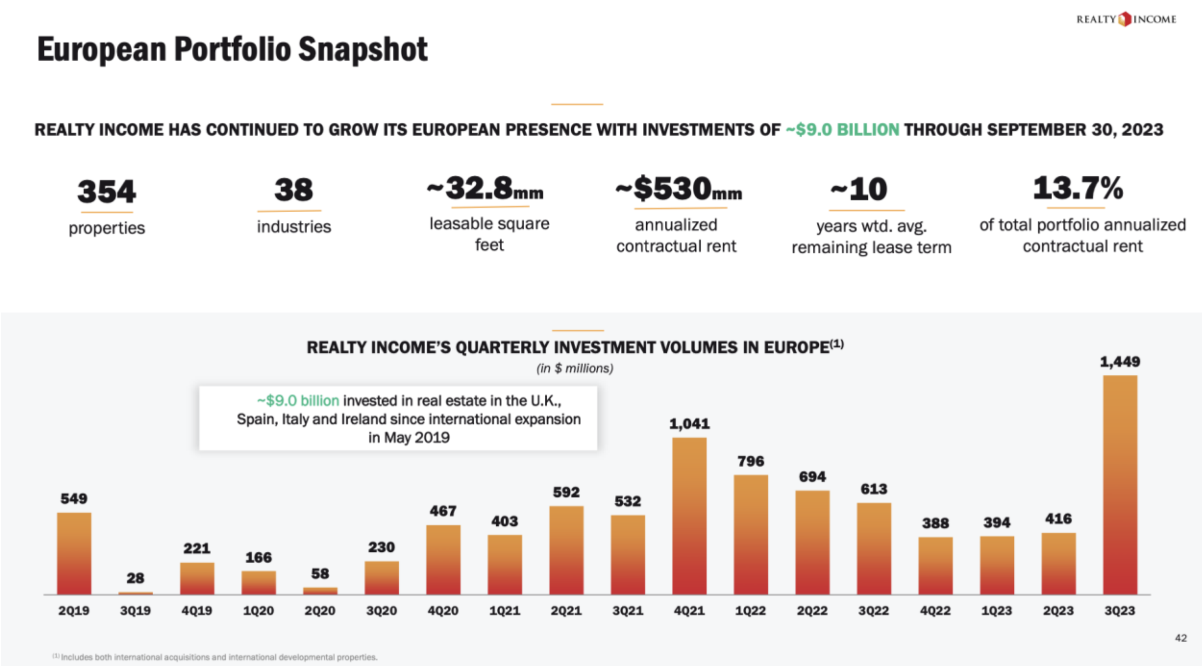


It has also issued significant amounts of debt:



and they just keep on investing huge sums of money where they already spend $6.8 billion for real estate in 2023.

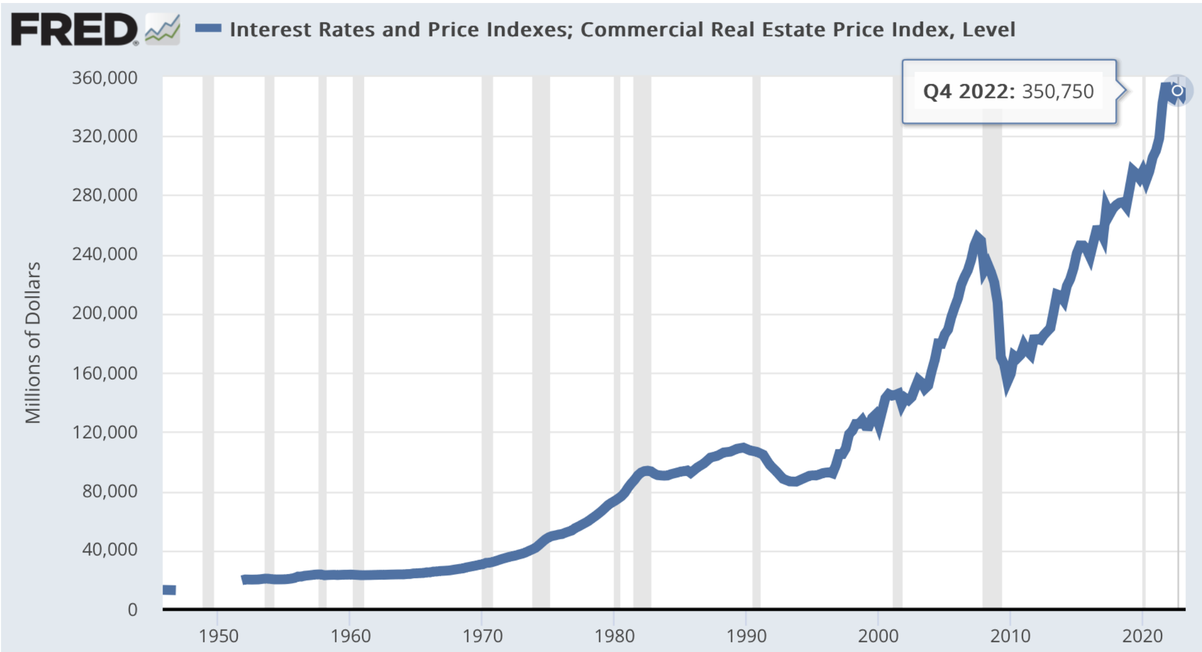
Also, they are now expanding into Europe where they already plowed $9 billion:



My question is, is it possible that REAL ESTATE is a good investment at whatever price and wherever? Europe RE a good investment now, after a decade of ZERO interest rates???

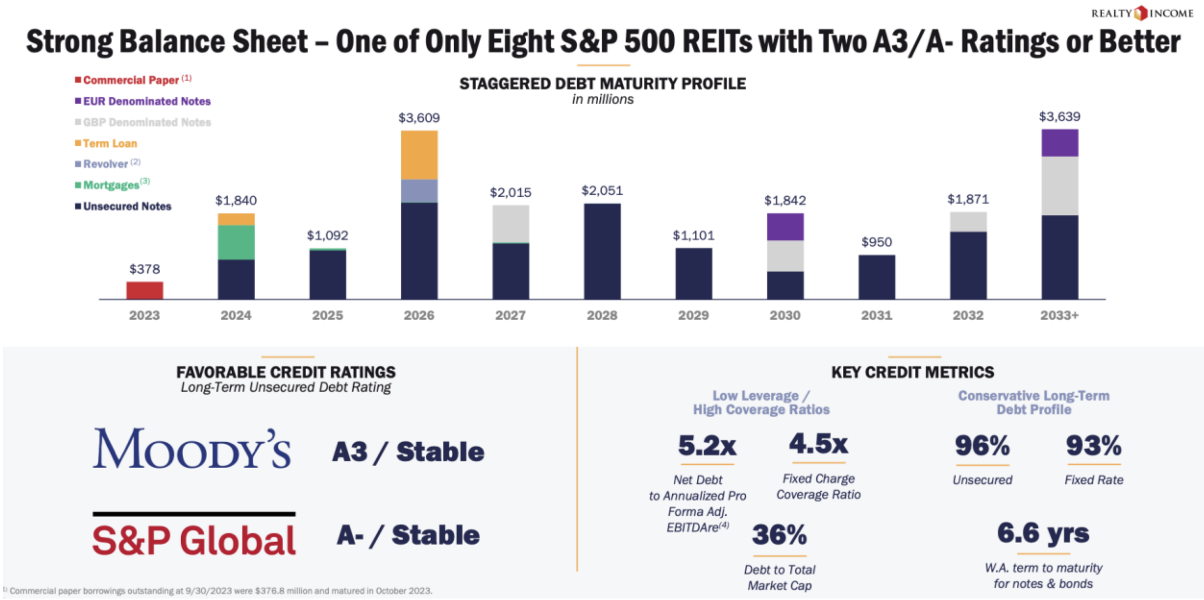
They spent $28 billion on RE from 2019 to YTD 2023.

This means they think Real Estate investing over the last 4 years has been the best way to spend money there was. In short, they bought most of their properties while commercial real estate prices were at their peak.

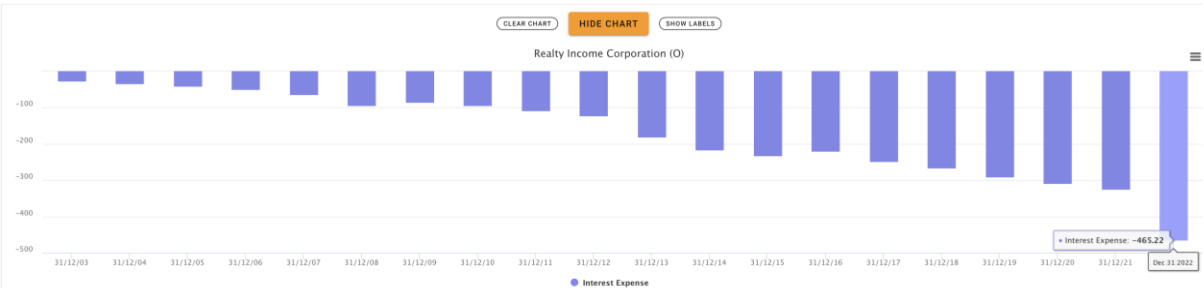


Therefore, if I buy O, I am paying top price for real estate.

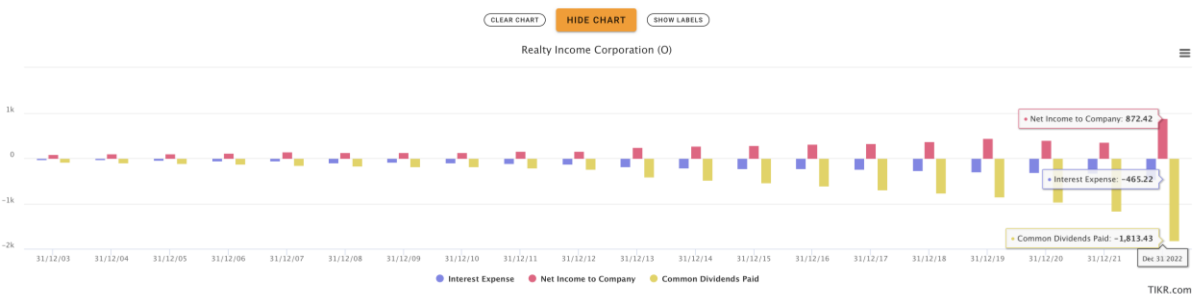
Further, on the debt, it isn't that much with $20 billion as they mostly grew by issuing equity, but it is still there.



And if interest rates go up, their income expense of $653 million for the last 12 months could easily double over the next 5 years.

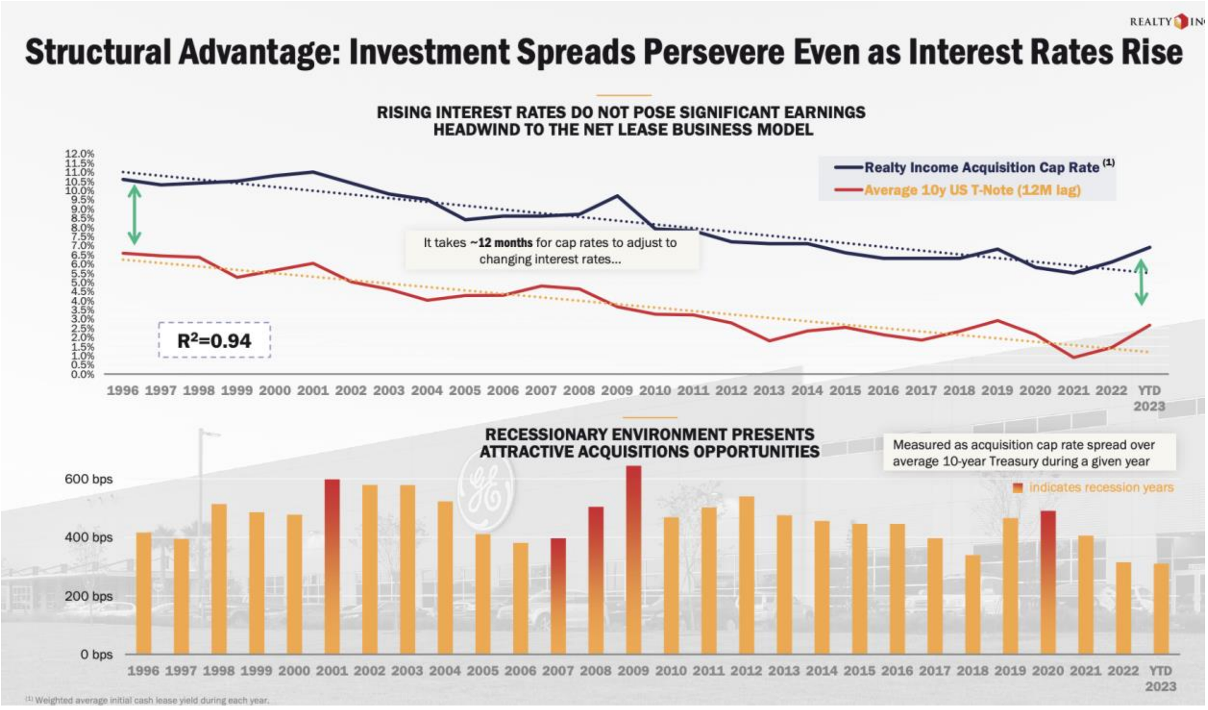


Which could put pressure on income and most importantly on cash flows. With $1.8 billion spend on dividends, if that drops to $1.2 billion, it would be an issue.



Now, the idea is that as there is inflation, a REIT can easily increase rents and therefore cover interest costs.

More, if the CAP rate is around 8%, why is it that I am happy with 4% dividend yield?



Cap rates are calculated by dividing a property's net operating income (NOI) by its current market value. Cap rates can provide valuable insight into a property. But the cap rate isn't the only metric used to evaluate a real estate investment.

The current cap rate is close to 10% as per the Realty Income presentation. So, 4 percentage points is what you pay for costs or 40% of your net income.

Anyway, their plan going forward is to do the following:

But, if the AFFO growth isn't as planned due to higher interest rates, lower sales and sluggishness while inflation stays at 5% without improvements in RE values due to higher rates (keep in mind the market is still expecting lower rates sooner rather than later), the above isn't anything spectacular.

Alexandria Real Estate Equities - ARE- LOOKS STANDARD

Georgi a month ago

Hi, Sven! Thank you for the great work you are doing! I am interested in one REIT - Alexandria Real Estate Equities Inc (Tick-er: ARE). Would appreciate it if you could share your point on it.

O was down 30%, ARE is down 50%, which means it is either more leveraged, or the assets are of lower quality or I will see:

Market Summary > Alexandria Real Estate Equities Inc

105,78 USD

+83.78 (380.82%) ↑ all time

15 Nov, 13:58 GMT-5 • Disclaimer

+ Follow

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max

Open	105,31	Mkt cap	18,37B	CDP score	B
High	108,62	P/E ratio	75,92	52-wk high	172,65
Low	105,22	Div yield	4,69%	52-wk low	90,73

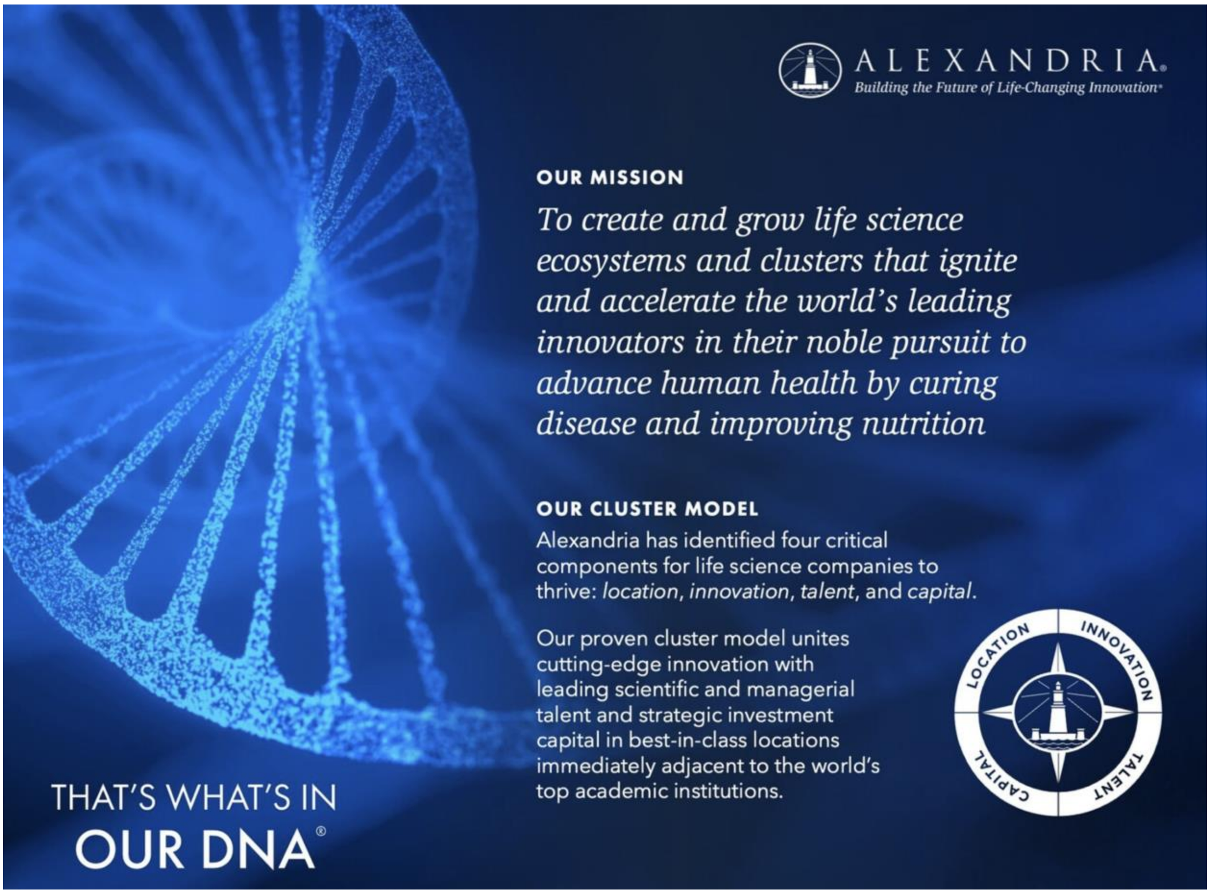
But, what is interesting is higher volatility while the yield is lower compared to O.

Or, it was just booming as Cathy Wood was promoting genetics and things like that, with high demand for such spaces due to high investments in startups, that now has dried up.

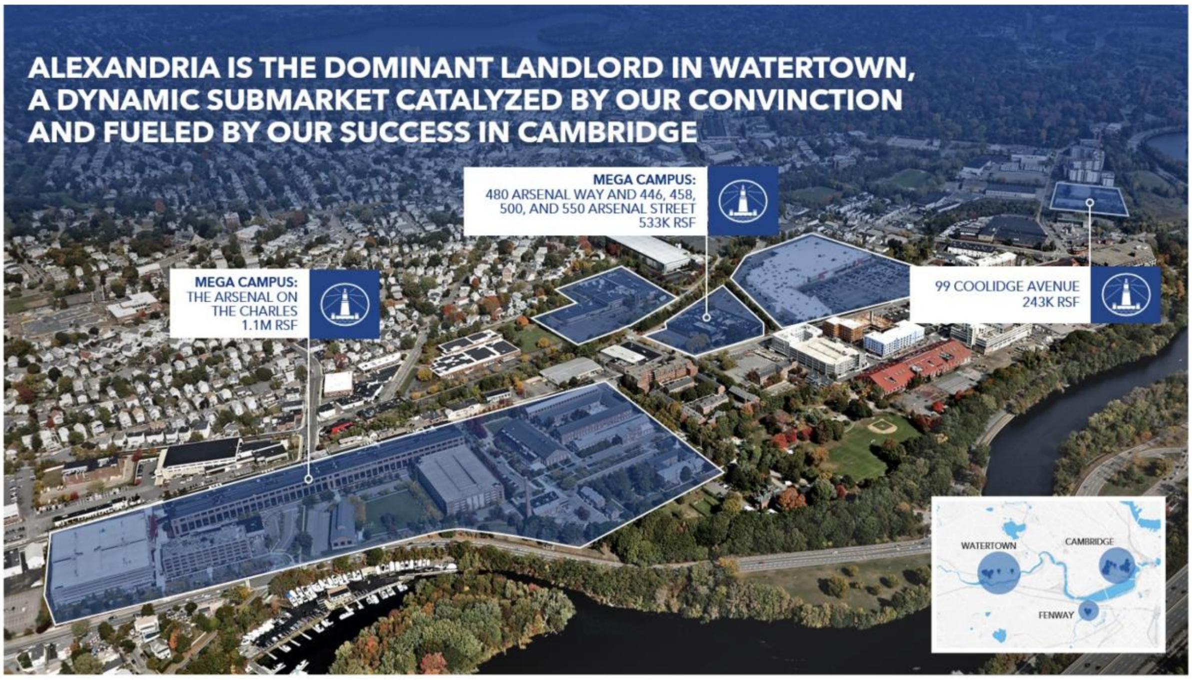
are.com

Alexandria Real Estate Equities, Inc. is a real estate investment trust based in Pasadena, California that invests in office buildings and laboratories leased to tenants in the life science and technology industries. Wikipedia

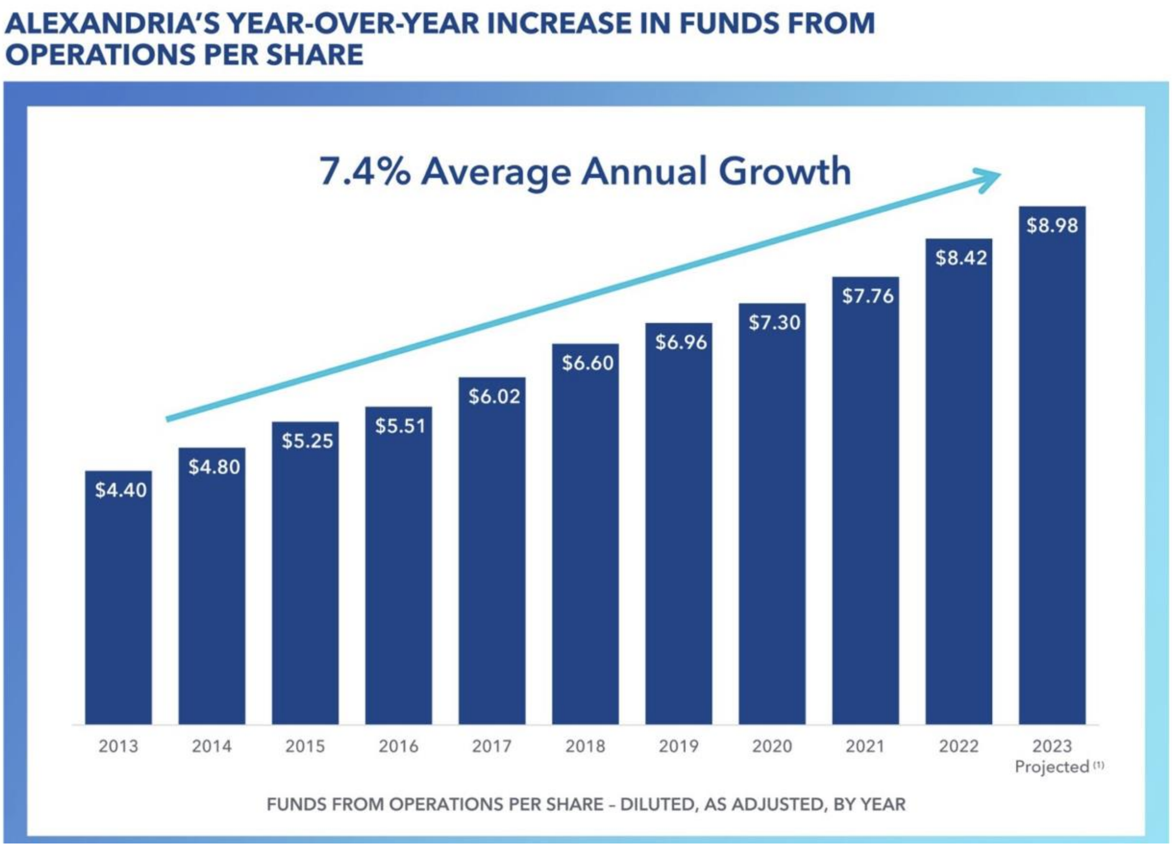
It sounds very sexy: clusters:



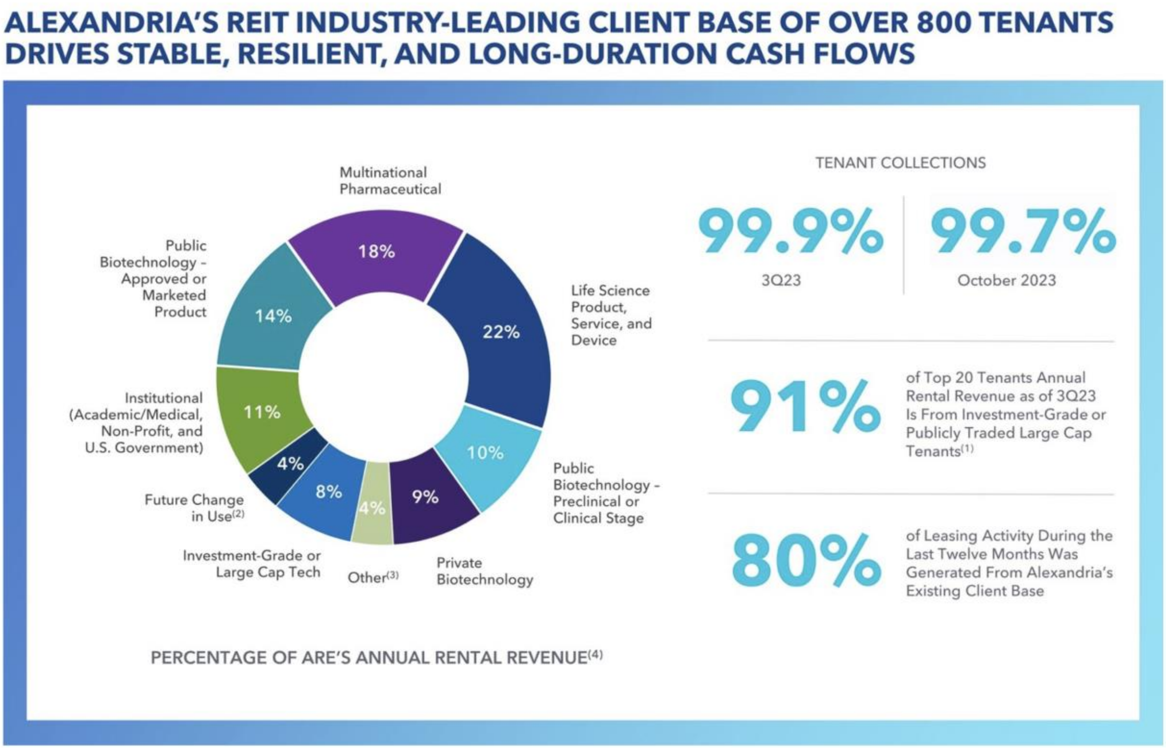
Ok, you own the following:



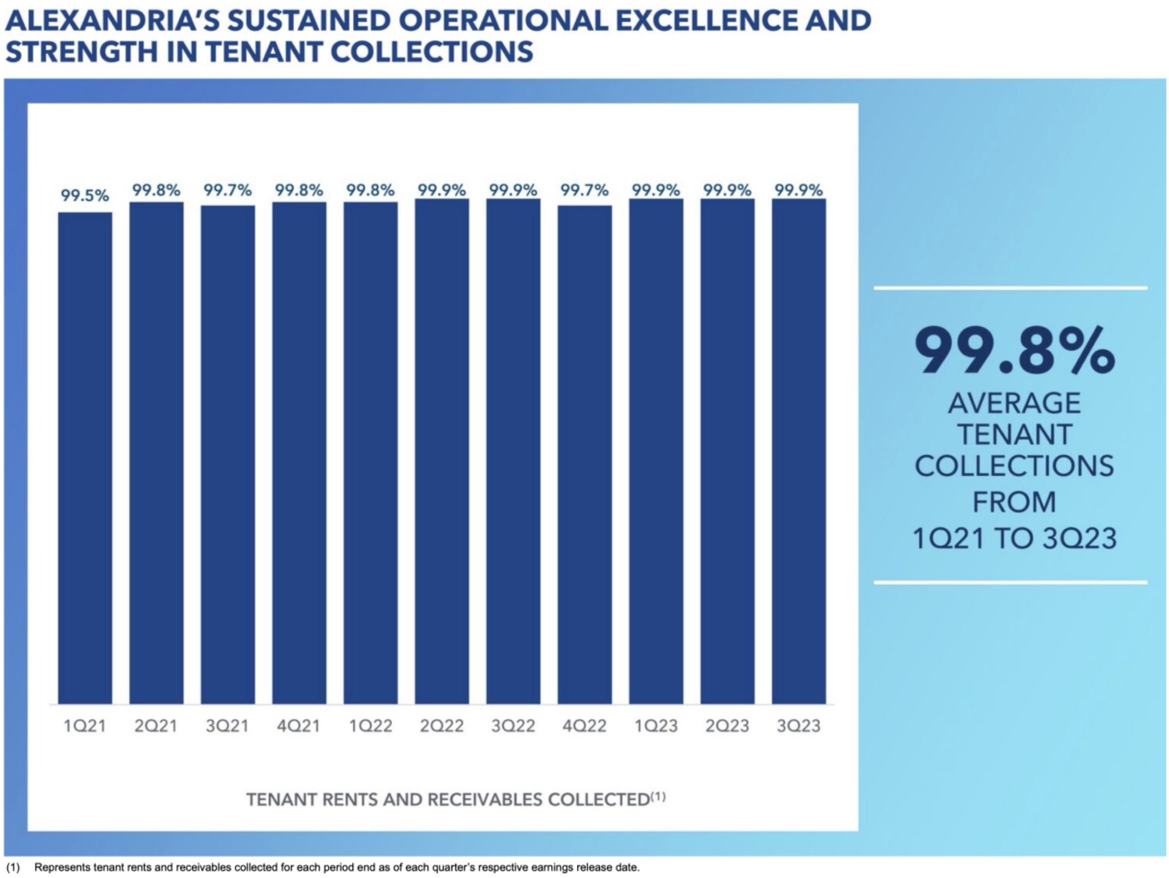
Funds from operations grow:



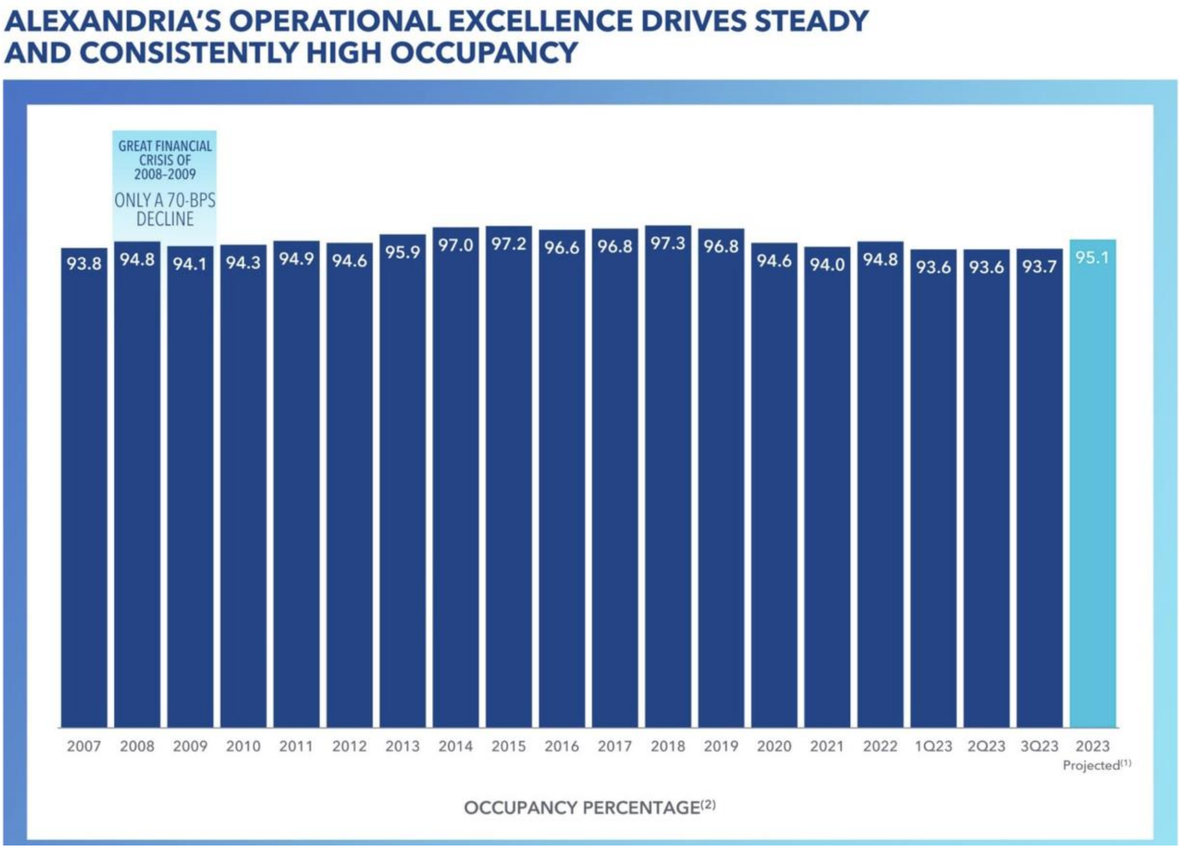
Good tenants

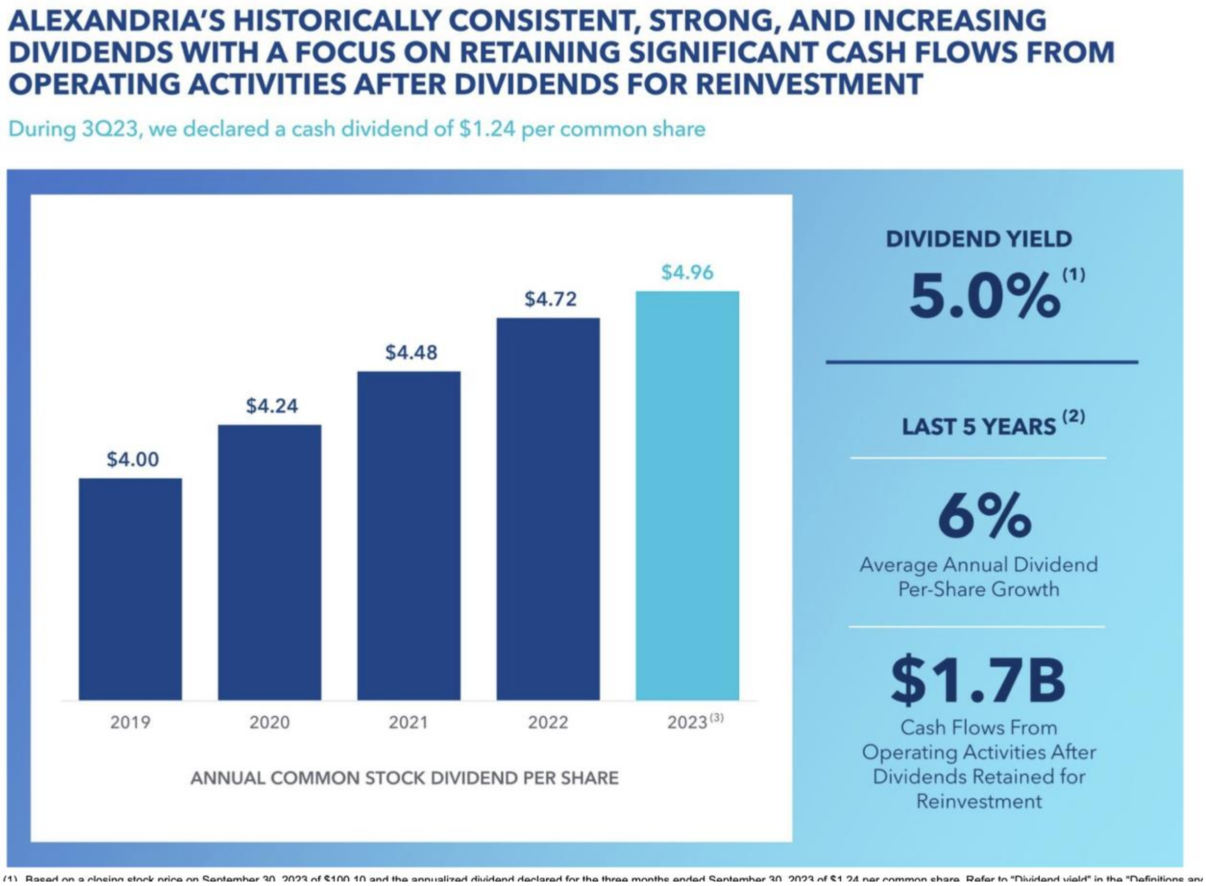


Extremely high collection:



High occupancy:





As all other REITs, they grow by issuing debt:

and equity

Now, debt and equity didn't grow from 2007 to 2013.

And it took the stock almost 10 years to breakeven. What do you think, where are we now, closer to a 2005 to 2007 environment where all looks good or closer to a 2009 to 2011 environment where all looks ugly?

In my opinion, it was all great in 2021, now we are around the mean, and only when things get ugly, only then buy REITs, if there are no better opportunities.

Everyone has this dream of buying something, forgetting about it and enjoying the benefits of it forever. Buy a damn building yourself, not a REIT! My uncle was once living in Milan where his friend owned the whole apartment building with 40 apartments. He had an ok life, no mortgage and didn't even care much about the rent, just that it was normal people living in there. That is real estate investing!

Further on ARE; 5% yield, maybe some growth, but also maybe not, depending on what will happen in the future - thus, a normal REIT. Keep in mind the 10-year no risk Treasury is giving 4%.

oh, by the way, NET DEBT TO EBTIDA is around 5 with most REITS. But keep in mind this is EBITDA, that can easily change in a real recession etc.... At higher debt levels, the banks will start calling in and buying properties at cap rates of above 10%, the same ones the REITs bought at 8%.

Allied Properties- Calculate Own Values, not what they say

David M 3 days ago

Allied Properties (AP-UN). Canadian Office REIT.

ALLIED

Allied Properties Real Estate Investment

OTCMKTS: APYRF

Overview

Market Summary > Allied Properties Real Estate Investment

12,29 USD

-0.11 (-0.89%) all time

14 Nov, 16:00 GMT-5 • Disclaimer

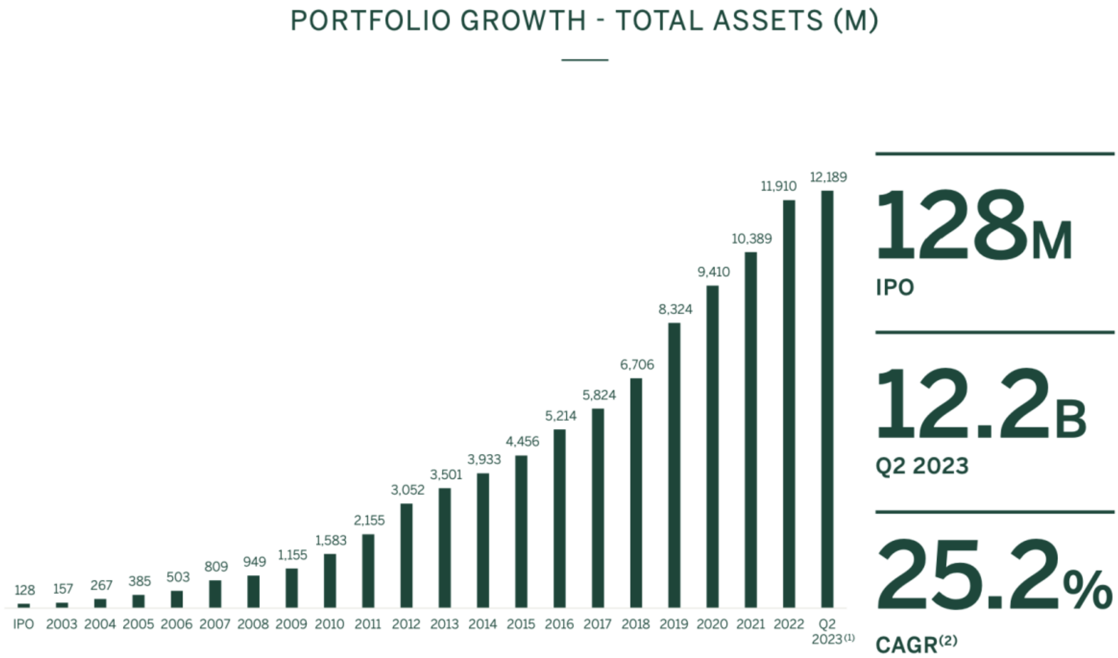
+ Follow

1D 5D 1M 6M YTD 1Y 5Y Max

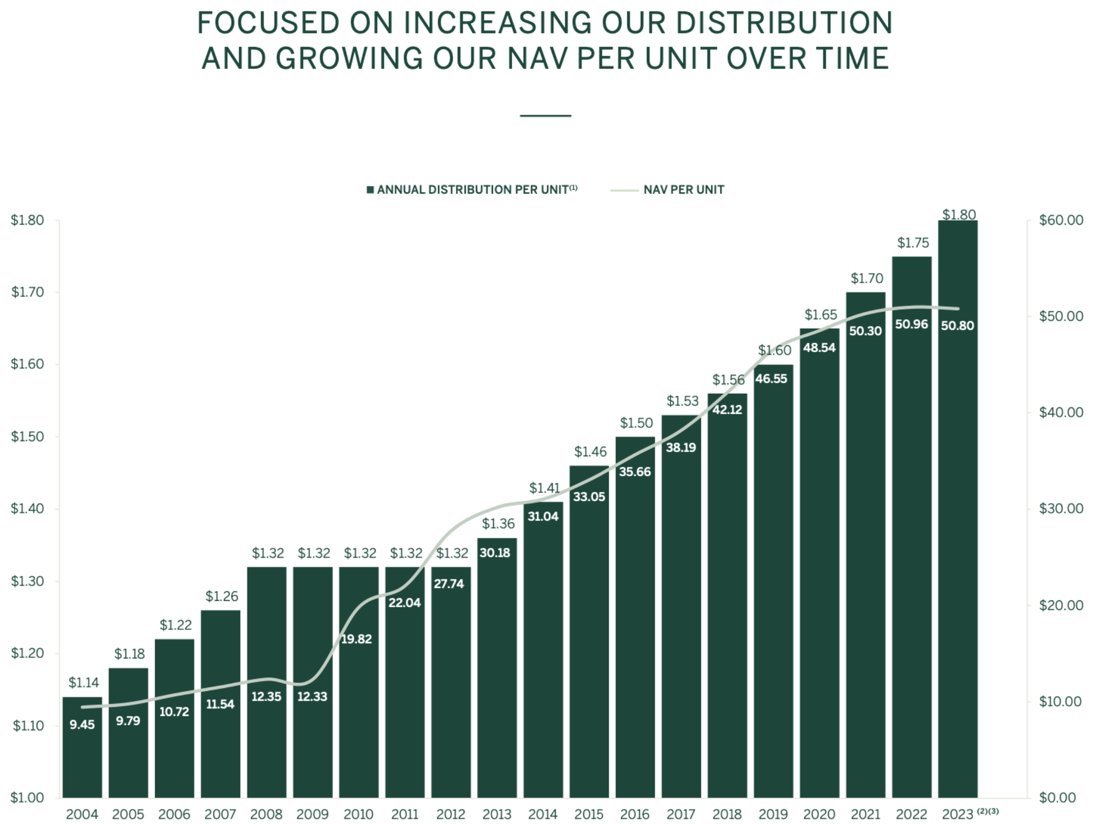
Open	12,27	Mkt cap	2,07B CAD	52-wk high	22,44

Now, the above looks ugly.

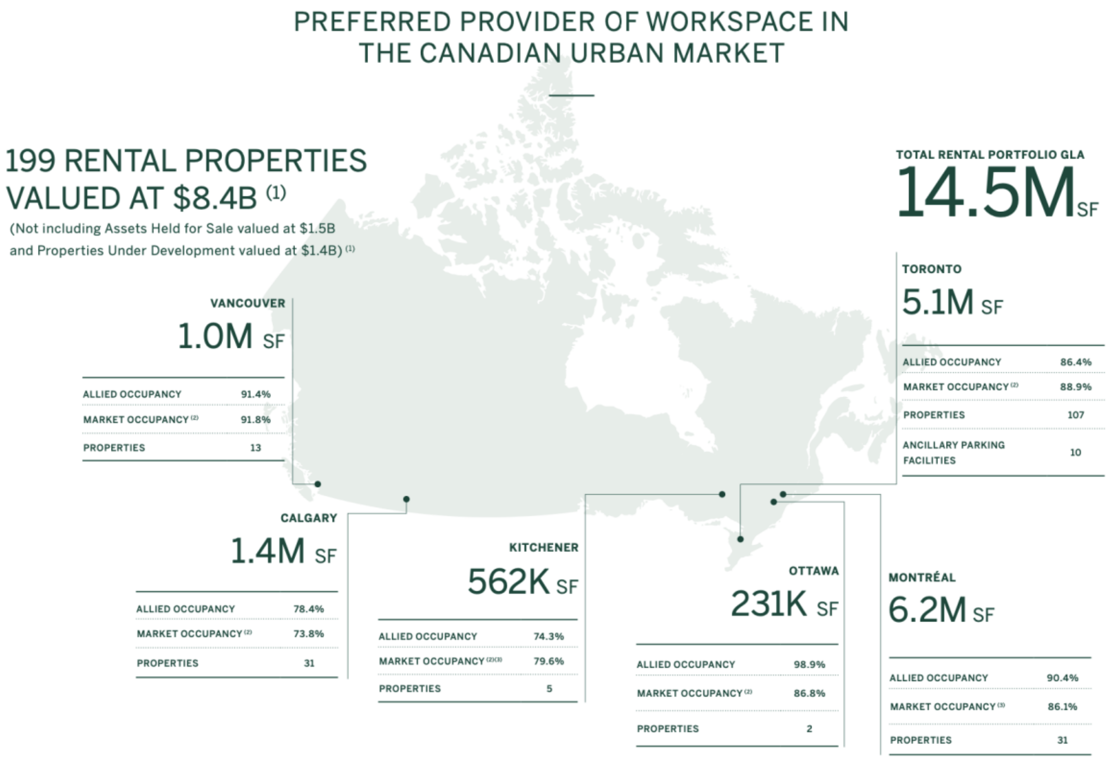
Huge growth in assets



But not even close in dividends:



Yes, $12 billion in assets, land, potential, all great:



(1) The rental properties and properties under development values are on a proportionate basis, which are non-GAAP measures.
(2) Source: cbre.ca, CBRE Canada Office Figures Q2 2023 Report.
(3) Kitchener market occupancy is based on the city of Waterloo market occupancy.

Growth:

DEVELOPMENT PROJECTS

DEVELOPMENTS	TRANSFER TO RENTAL PORTFOLIO	ESTIMATED GLA	ESTIMATED ANNUAL NOI(1)	% OF OFFICE DEVELOPMENT PRE-LEASED
THE WELL* (2)	Q3 2022 - Q4 2023	763,000	$40.4M	98%
ADELAIDE & DUNCAN*	Q3 2023 - Q4 2024	230,000	$11.0M	100%
BREITHAUPT, PHASE III*	Q3 2023	147,000	$5.4M	100%
700 SAINT HUBERT	Q1 2024	144,114	$5.0M	63%
QRC WEST, PHASE II	Q2 2024	93,134	$4.6M	100%
108 EAST 5TH AVENUE*	Q1 2025	102,000	$4.5M	54%
KING TORONTO*	Q2 2025	100,000	$5.5M	–
365 RAILWAY	TBD	60,000	TBD	–
REDEVELOPMENTS	Q1 2024 - Q1 2025	1,220,805	$27.0M	N/A
TOTAL		**2,860,053**	**$103.4M**	**82%**

82%
PRE-LEASED

and more:

FUTURE DEVELOPMENT

ZONING APPROVAL COMPLETED AND IN PROGRESS

Toronto

	ESTIMATED GLA
THE CASTLE	440,000
KING & PETER	790,000
KING & SPADINA	430,000
KING & BRANT	240,000
UNION CENTRE	1,330,000
BATHURST STREET ASSEMBLY	318,000
ADELAIDE & SPADINA	230,000
	3,778,000

Montréal

	ESTIMATED GLA
LE NORDELEC - LOT A	230,000
LE NORDELEC - LOT B	744,000
LE NORDELEC - LOT E	135,000
	1,109,000
TOTAL	4,887,000

TOTAL POTENTIAL INCREMENTAL DENSITY (1)

	ESTIMATED GLA
TORONTO	6,078,923
KITCHENER	332,397
MONTRÉAL	2,165,136
CALGARY	1,436,296
VANCOUVER	312,656
	10,325,408

So, net debt to EBITA of 5 is already high with many REITs, but they say their 10 is low leverage???!?!?!?

BALANCE SHEET

- Low leverage
- Long-term, fixed-rate debt
- Net debt as a multiple of adjusted EBITDA ratio of 10.5x(1)
- Total indebtedness ratio 36.9%
- Interest coverage ratio of 2.6x(2)

LONG TERM DEBT IS $3 BILLION - not much, if the value of the assets is correct:

Long-Term Debt	1,763.37	1,705.53	1,850.62	2,136.66	2,725.33	3,422.08	3,864.26	3,585.90

With a cap rate at 7%, and 276 million in operating income, the value of the assets should be $3.9 billion, in line with the debt, thus there is no value there>>>>>>>!>!>!>!>!>! Their values on the balance sheet might not be accurate.

Income Statement Balance Sheet Cash Flow Statement Ratios Segments

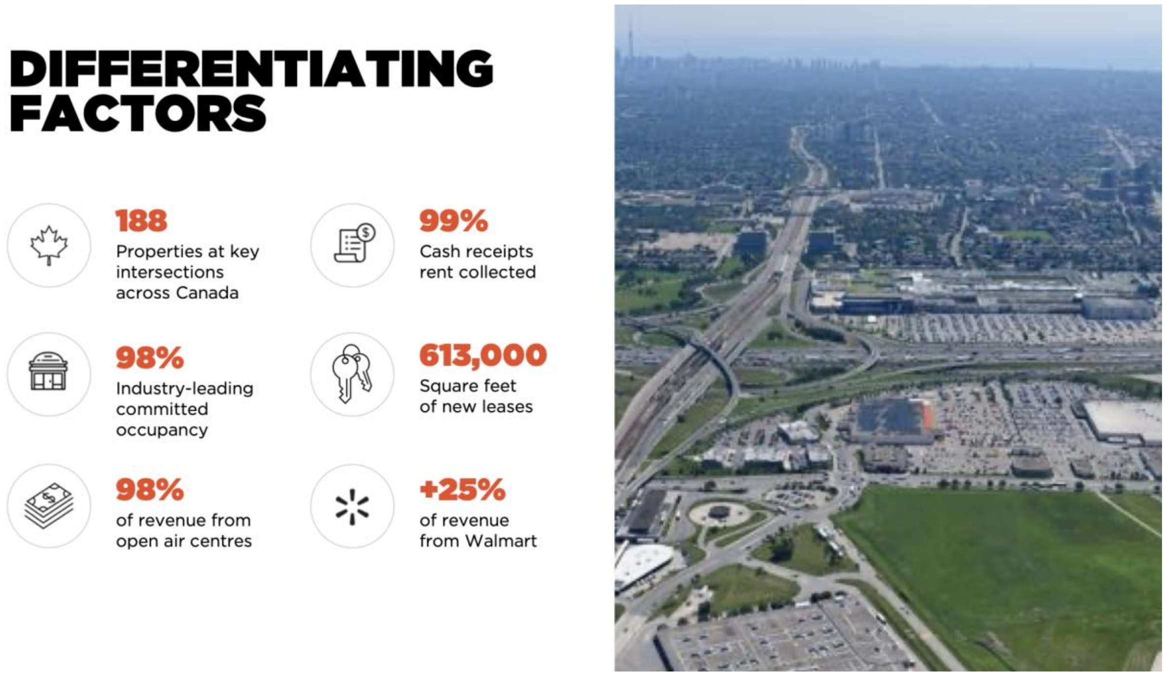
Income Statement | TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Rental Revenues	389.72	419.26	436.40	496.11	560.33	472.80	519.47	549.01
Other Revenues				45.65	1.29	1.41	2.94	4.26
Total Revenues	**389.72**	**419.26**	**436.40**	**541.76**	**561.62**	**474.21**	**522.41**	**553.27**
% Change YoY	*6.7%*	*7.6%*	*4.1%*	*24.1%*	*3.7%*	*(15.6%)*	*10.2%*	
Property Expenses	(169.20)	(179.55)	(185.94)	(254.09)	(241.49)	(204.79)	(239.99)	(251.93)
Selling General & Admin Expenses	(10.38)	(14.44)	(18.67)	(26.17)	(23.45)	(26.41)	(23.20)	(23.28)
Depreciation & Amortization		(10.51)	(1.56)	(1.46)	(1.47)	(1.17)	(1.33)	(1.50)
Amortization of Goodwill and Intangible Assets								
Other Operating Expenses	(10.04)							
Total Operating Expenses	**(189.63)**	**(204.50)**	**(206.16)**	**(281.71)**	**(266.40)**	**(232.37)**	**(264.51)**	**(276.72)**
Operating Income	**200.10**	**214.77**	**230.23**	**260.05**	**295.22**	**241.85**	**257.90**	**276.55**

Anything can happen, but....

SmartCentres- Looks Good

When I looked at SmartCentres a few years ago, there was a lot of potential, let's see where the value is now, the stock is certainly much lower.

Diversified and quality with Walmart:



CENTRAL ESSENTIAL SERVICE CENTRES

	Income Producing Properties #	Gross Revenue %	In-place Occupancy Rate %	Grocery/ Pharmacy %
Greater-VECTOM	108	72	97.0	99
Primary	31	17	97.0	100
Secondary	27	11	99.1	100
Total	168	100	97.2	99.4

SMARTCENTRES REIT | 2023 Q1 INVESTOR PRESENTATION 7

Plus growth:

There is land and if I am not mistaken there was improving existing things.

Yes, here it is:

They called it intensification:

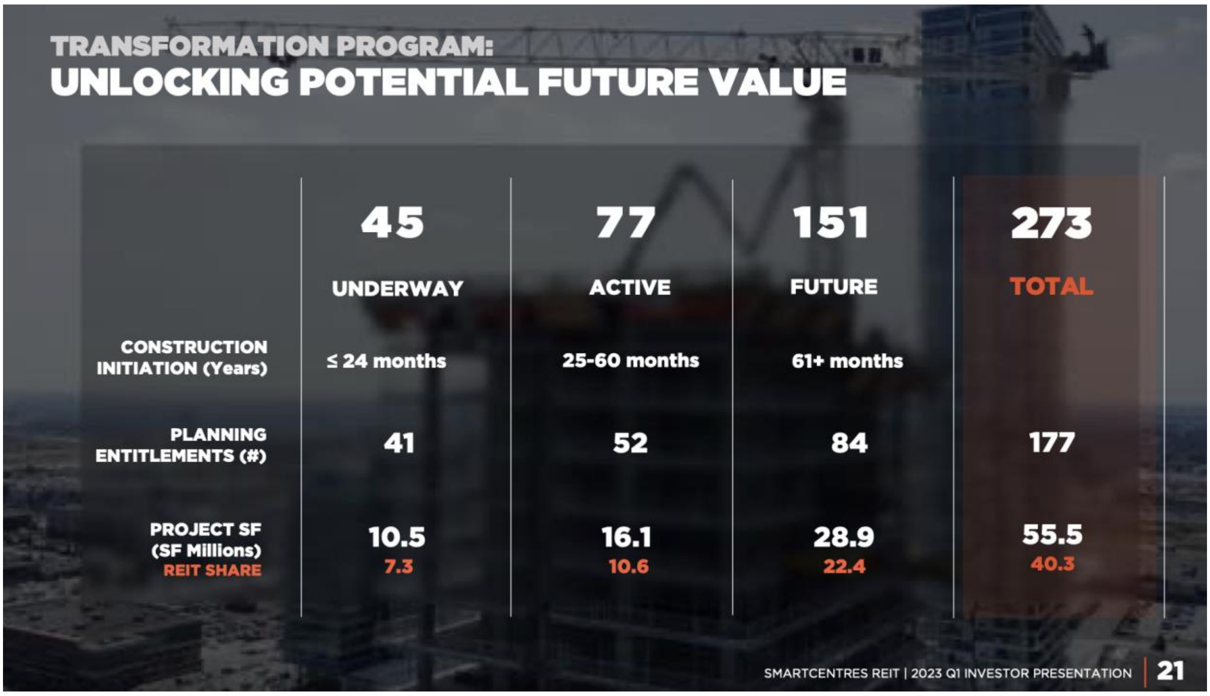
99 PROPERTIES IDENTIFIED FOR INTENSIFICATION

	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO	QUEBEC	ATLANTIC	TOTAL
ALREADY INTENSIFIED	0	0	0	0	7*	0	0	7*
MARKED FOR INTENSIFICATION	8	3	3	3	66	17	0	100
UNDER REVIEW FOR INTENSIFICATION	7	4	2	0	45	12	11	81
TOTAL PROPERTIES	15	7	5	3	118	29	11	188
REVENUE MIX (%)	7.5	3.6	3.9	3.1	63.2	14.2	4.6	100
AREA MIX (%)	8.4	4.8	4.3	3.3	58.4	15.6	5.2	100

*Excludes 3 residential condo projects (Transit City 1, 2, 3) that have already closed.

SMARTCENTRES REIT | 2023 Q1 INVESTOR PRESENTATION | 18

Plans:



DEVELOPMENT INITIATIVES UNDER CONSTRUCTION

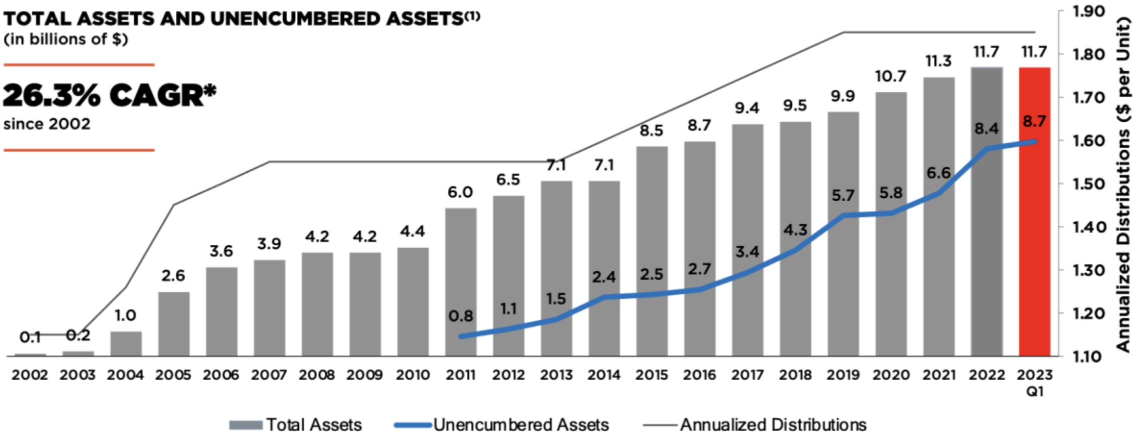
PROJECTS UNDER CONSTRUCTION (Location/Project Name)	TYPE	TRUST'S SHARE (%)	ESTIMATED INITIAL OCCUPANCY / CLOSING DATE	% OF COMPLETION	GFA(2) (sg.ft.)	NO. OF UNITS
Vaughan / Transit City 4 Vaughan / Transit City 5	Condo	25	Q1 2023 Q2 2023	88% 88%	-	498 528
Vaughan / The Millway	Apartment	50	Q1 2023	81%	-	458
Pickering (Seaton Lands)	Industrial	100	Q2 2023	77%	241,000	-
Laval Centre	Apartment	50	Q3 2023	70%	-	211
Markham East / Boxgrove	Self Storage	50	Q1 2024	44%	133,332	910
Whitby	Self Storage	50	Q1 2024	38%	126,135	811
Ottawa SW (1) Ottawa SW (1)	Retirement Residences Senior Apartments	50	Q3 2024	29%	-	402
Vaughan NW	Townhouse	50	Q3 2024	15%	-	174

	IN MILLIONS OF DOLLARS
Total Capital Spend to Date at 100% (3)	785.3
Estimated Cost to Complete at 100%	447.1
Total Expected Capital Spend by Completion at 100% (3)	1,232.4
Total Capital Spend to Date at Trust's Share (3)	315.9
Estimated Cost to Complete at Trust's Share	216.6
Total Expected Capital Spend by Completion at Trust's Share (3)	532.5

TOTAL ASSETS VALUED AT $11.7B
TOTAL UNENCUMBERED ASSETS VALUED AT $8.7B

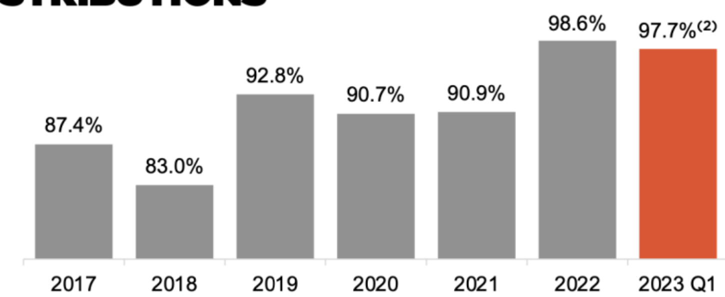
TOTAL ASSETS AND UNENCUMBERED ASSETS(1)
(in billions of $)

26.3% CAGR*
since 2002



STABLE CASH DISTRIBUTIONS

PAYOUT RATIO*



In thousands of dollars (except per Unit information)	2017	2018	2019	2020	2021	2022
Net income and comprehensive income per Unit	2.26	2.49	2.19	0.52	5.68	3.54
Cash flow provided by operating activities per Unit	2.24	2.17	2.03	1.71	2.14	2.06
FFO per Unit(1)*	2.20	2.28	2.26	2.20	2.21	2.07
AFFO per Unit*	2.12	2.03	2.03	1.95	2.02	1.86
Distributions per Unit	1.71	1.76	1.81	1.85	1.85	1.85

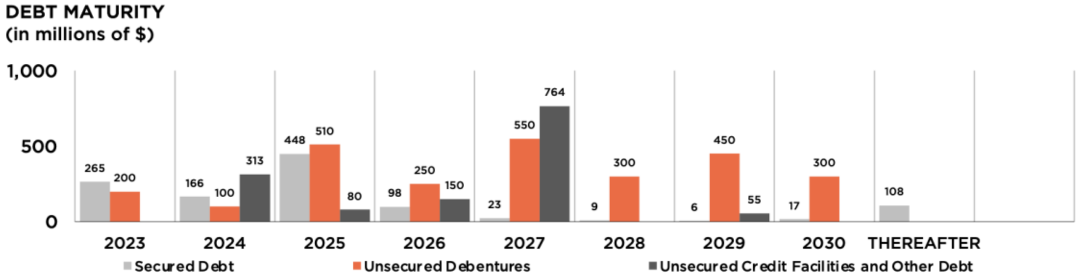
- Distributions fully funded from operating cashflow
- Annual distribution increases announced in each of 2014, 2015, 2016, 2017, 2018, and 2019 of $0.05 per unit. Current annual distribution per unit is $1.85

1. FFO with one-time adjustments and before Transactional FFO
2. Rolling 12 months ended March 31, 2023

Represents non-GAAP financial measures. For more information, see Notice To Reader section in this Investor Presentation.

SMARTCENTRES REIT | 2023 Q1 INVESTOR PRESENTATION | 72

DEBT/MATURITY/LEVERAGE



Ratio/Metric*	Dec. 31 2019	Dec. 31 2020	Dec. 31 2021	Dec. 31 2022	Mar. 31 2023
Debt to Aggregate Assets	42.3%	44.6%	42.9%	43.6%	43.2%
Unsecured to Secured Debt Ratio	63%/37%	68%/32%	71%/29%	74%/26%	78%/22%
Unencumbered Assets	$5.7B	$5.8B	$6.6B	$8.4B	$8.7B
Adjusted Debt to Adjusted EBITDA	8.0X	8.5X	9.2X	10.2X	10.0X
Interest Coverage	3.5X	3.2X	3.4X	3.1X	2.9X
Liquidity	$547M	$1.3B	$0.7B	$0.8B	$0.8B
Weighted Average Interest Rate (Total Debt)	3.75%	3.28%	3.11%	3.86%	3.89%
Weighted Average Term to Maturity (Total Debt)	4.6 yrs	5.0 yrs	4.8 yrs	4.0 yrs	3.9 yrs

This looks good:

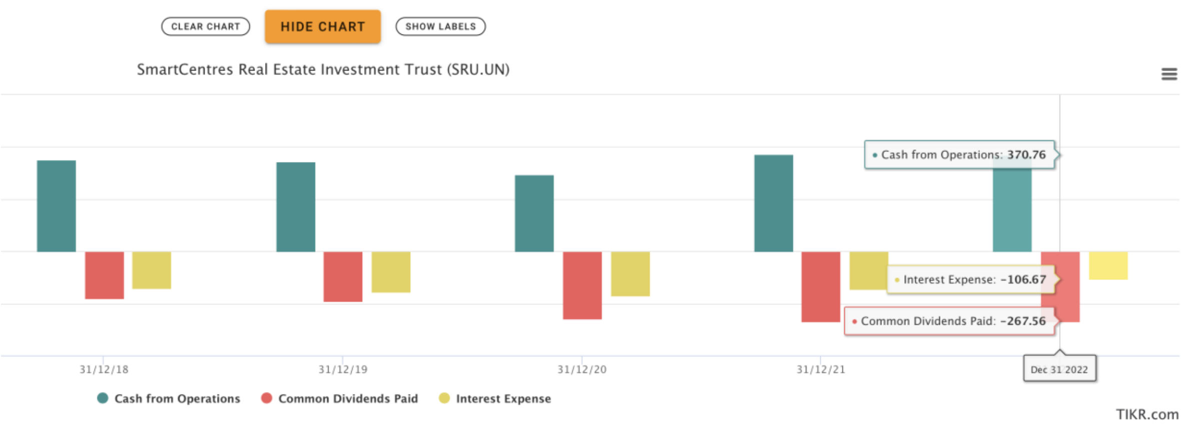
Income Statement Balance Sheet Cash Flow Statement Ratios Segments

Balance Sheet | TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Gross Property Plant And Equipment								
Accumulated Depreciation								
Total Real Estate Assets	**8,244.46**	**8,735.00**	**8,906.79**	**9,052.69**	**8,857.02**	**9,851.98**	**10,212.48**	**10,437.37**
Cash And Equivalents	23.09	162.70	29.44	55.37	794.59	62.24	35.26	48.96
Accounts Receivable	16.47	14.35	21.79	20.51	46.11	29.20	29.06	27.63
Other Receivables	12.70	19.90	30.74	11.13	4.21	8.96	14.47	21.35
Investment In Debt and Equity Securities								55.75
Goodwill	13.98	13.98	13.98	13.98	13.98	13.98	13.98	
Other Intangibles	37.82	36.49	35.15	33.82	32.49	31.16	29.83	42.81
Notes Receivable (Collected)								
Mortgage Loans	178.89	162.19	157.15	272.86	388.81	417.04	324.69	285.03
Restricted Cash								
Other Current Assets	6.94	29.35	32.81	36.33	42.56	51.07	110.76	110.98
Deferred Charges Long-Term								
Other Long-Term Assets	204.54	206.29	231.79	431.77	544.72	827.63	931.63	983.24
Total Assets	**8,738.88**	**9,380.23**	**9,459.63**	**9,928.47**	**10,724.49**	**11,293.25**	**11,702.15**	**12,013.10**
Current Portion of Long-Term Debt	550.58	415.13	580.53	115.39	854.26	678.41	459.28	538.25
Current Portion of Capital Lease Obligations								
Short-Term Borrowings								
Long-Term Debt	3,287.24	3,815.83	3,529.95	4,110.55	4,364.52	4,183.88	4,523.99	4,514.47

Plus, just one capital raise in the last years:

Common Stock	2,648.40	2,724.47	2,781.07	3,072.82	3,090.19	3,090.37	3,090.12	3,090.12
Retained Earnings	1,199.18	1,269.79	1,367.11	1,419.86	1,227.17	1,787.59	2,036.08	2,237.70
Distributions In Excess Of Earnings								
Comprehensive Income and Other								
Total Common Equity	**3,847.58**	**3,994.26**	**4,148.18**	**4,492.68**	**4,317.36**	**4,877.96**	**5,126.20**	**5,327.82**
Minority Interest	816.37	833.20	860.15	875.07	849.62	963.35	1,036.90	1,096.42
Total Equity	**4,663.94**	**4,827.46**	**5,008.33**	**5,367.75**	**5,166.98**	**5,841.32**	**6,163.10**	**6,424.24**
Total Liabilities And Equity	**8,738.88**	**9,380.23**	**9,459.63**	**9,928.47**	**10,724.49**	**11,293.25**	**11,702.15**	**12,013.10**

Even if interest rates double, they should still be ok, worst case scenario a dividend cut:



All looks good here, we have good tenants, good projects, a good dividend, relatively low debt and all.

The risks are: the CAD for foreigners, higher interest expense eating up parts of the dividend (possible for every REIT) and consequently a lower stock price.

So, when it comes to REITs, it is about owning one, it is about owning REAL ESTATE, not gambling on a stock that will go up because the stock that will go the most up in good times is the one that will go bust in bad times. So, there is gambling and there is investing, see where are you.

Now, SRU looks good, but this doesn't mean the stock will go up.

The is a possibility the stock goes nowhere in 10 years and all you get is a dividend between 4 and 8% depending on dividend cuts, interest rates etc. Plus, if the dividend is cut due to higher rates, the stock tanks!

The best positive here is that you can invest, ONLY IF YOU DON'T CARE WHERE THE STOCK WILL GO, and simply have it as part of your portfolio where you don't have to think much. Over the long-term, reinvesting dividends or investing more, you should do ok but that is it.

Yes, there is a possibility the stock doubles when things look great and rates are low again, but those betting on that, will not have the patience to hold if it doesn't happen sooner rather than later.

Noratis- bankrupt already, investing in miracles

Noratis AG

ETR: NUVA

Overview Compare Financials

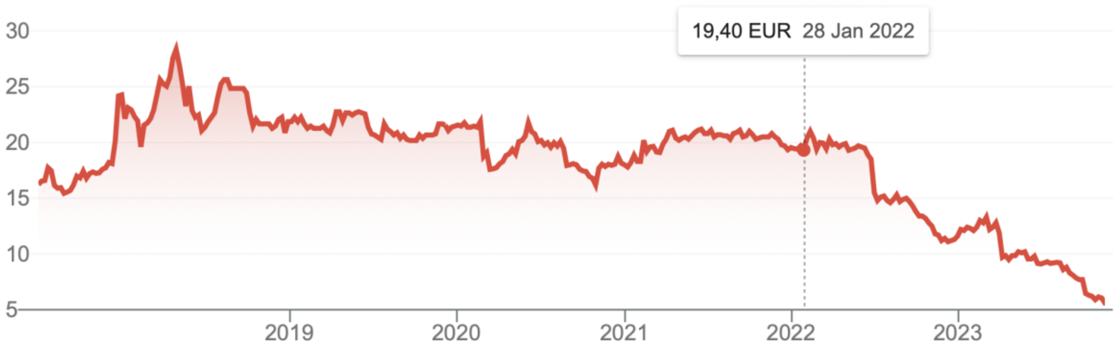
Market Summary > Noratis AG

5,60 EUR

-10.64 (-65.52%) all time

15 Nov, 17:36 CET • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open 4,80 Mkt cap 25,26M 52-wk high 13,70

These guys are bankrupt:

Total Assets	**87.48**	**127.84**	**214.07**	**260.70**	**367.56**	**446.56**	**494.01**	**482.72**
Accounts Payable	0.45	0.82	1.91	18.45	1.42	15.52	2.09	1.40
Accrued Expenses	0.13	2.65	0.49	2.18	2.65	1.68	1.51	0.18
Current Portion of Long-Term Debt	18.01	1.61	20.42	4.34	3.38	87.64	29.25	16.12
Current Portion of Capital Lease Obligations				0.19	0.21	0.23	0.38	
Current Income Taxes Payable	1.64	4.36	2.79	1.41	0.12	0.25	0.18	0.26
Unearned Revenue Current	0.01	0.11	0.01	1.61	0.70	0.23	0.61	0.70
Other Current Liabilities	3.08	0.56	0.37	0.81	0.87	1.23	1.58	2.82
Total Current Liabilities	**23.32**	**10.10**	**25.99**	**28.99**	**9.35**	**106.78**	**35.61**	**21.49**
Long-Term Debt	52.62	84.59	134.60	174.04	279.01	252.05	359.47	376.54
Capital Leases				5.03	4.89	5.81	9.92	
Deferred Tax Liability Non Current		0.95	1.37			0.56	2.09	1.19
Other Non Current Liabilities	4.91	2.92	2.64	0.05	0.06	0.06	0.07	0.07
Total Liabilities	**80.84**	**98.56**	**164.60**	**208.10**	**293.30**	**365.26**	**407.16**	**399.29**
Common Stock	0.50	2.92	3.60	3.60	4.82	4.82	4.82	4.82
Retained Earnings	4.14	9.28	14.15	17.29	17.19	24.24	29.82	26.42
Comprehensive Income and Other	2.00	16.83	31.49	31.49	51.78	51.82	51.77	51.74
Total Common Equity	**6.64**	**29.03**	**49.24**	**52.38**	**73.78**	**80.87**	**86.41**	**82.98**
Minority Interest	0.00	0.24	0.22	0.22	0.48	0.42	0.45	0.45
Total Equity	**6.64**	**29.27**	**49.46**	**52.60**	**74.26**	**81.30**	**86.86**	**83.44**
Total Liabilities And Equity	**87.48**	**127.84**	**214.07**	**260.70**	**367.56**	**446.56**	**494.01**	**482.72**

The debt of 376 million won't go anywhere, but the real estate they bought using that debt isn't worth 376 million because they bought that when interest rates were much lower. I would argue that as cap rates in Europe went from 4% to 8%, plus given the ugly economic outlook, that is not worth half. So, this company is practically bankrupt as the stock price shows.

Now, anything can happen, but...

Vonovia- a bet on restructuring, RE sale prices, banks willingness etc...

The one that bought in March 2023 is now up 50%:

The one that bought in Feb 2023 is still down 10%:

Vonovia still has a lot of debt, is selling assets go lower the debt burden and nobody knows what will be the cash flows on those and what will be interest rates going forward, despite the rental numbers being good. Investing or doing anything in life with the bank holding you by your balls isn't a great way to go through life:-)

My investment thesis here: I HAVE NO IDEA WHERE WILL THIS GO, NOBODY HAS, you can make bets, that is it!