

Confidential

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## MOI Best Ideas Jan 2024 – Large Cap Multifamily REITs

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# Results from our MOI Previous Ideas

*This is not a complete set of data, this only includes ideas shared with MOI Global*

Num	Ticker	Name	Date Pitched	End Date	Date Pitched	End Date	Dividends	Dividends & Stock
1	LAACZ	LAACO Ltd	12/17/2017	12/9/2021	\$2,280.00	\$9,838.00	\$400.00	\$10,238.00
2	INDT	INDUS Realty Trust	12/20/2019	6/29/2023	\$40.45	\$67.00	\$3.47	\$70.47
3	FRPH	FRP Holdings	7/3/2021	Active Position	\$55.50	\$60.43		

Num	Ticker	Name	VNQ MOIC	VNQ IRR	Idea MOIC	Idea IRR	Idea Alpha	Results	Commentary
1	LAACZ	LAACO Ltd	1.23	5.7%	<b>4.49</b>	<b>47.3%</b>	<b>41.6%</b>	Bought out by CubeSmart	Ultra Low Interest Rate Environment at time of acquisition
2	INDT	INDUS Realty Trust	1.02	0.6%	<b>1.74</b>	<b>17.8%</b>	<b>17.2%</b>	Bought out by CenterBridge	Rising Interest Rates, Reached high of \$80 in late 2021
3	FRPH	FRP Holdings	0.91	-3.7%	<b>1.09</b>	<b>3.4%</b>	<b>7.1%</b>	Still Owned in the Portfolio	Rising Interest Rates

VNQ is the Vanguard Real Estate Index Fund ETF

- We believe our best idea for 2024 is large cap multifamily REITs
  - We believe this is the best **risk adjusted return** in public REITs
  - Between 21-26% loan to value ratio (vs 50-80% on the private side)
  - Will likely acquire distressed assets in this cycle
  - Diversified and antifragile
  - High absolute cap rate and free cash flow yield

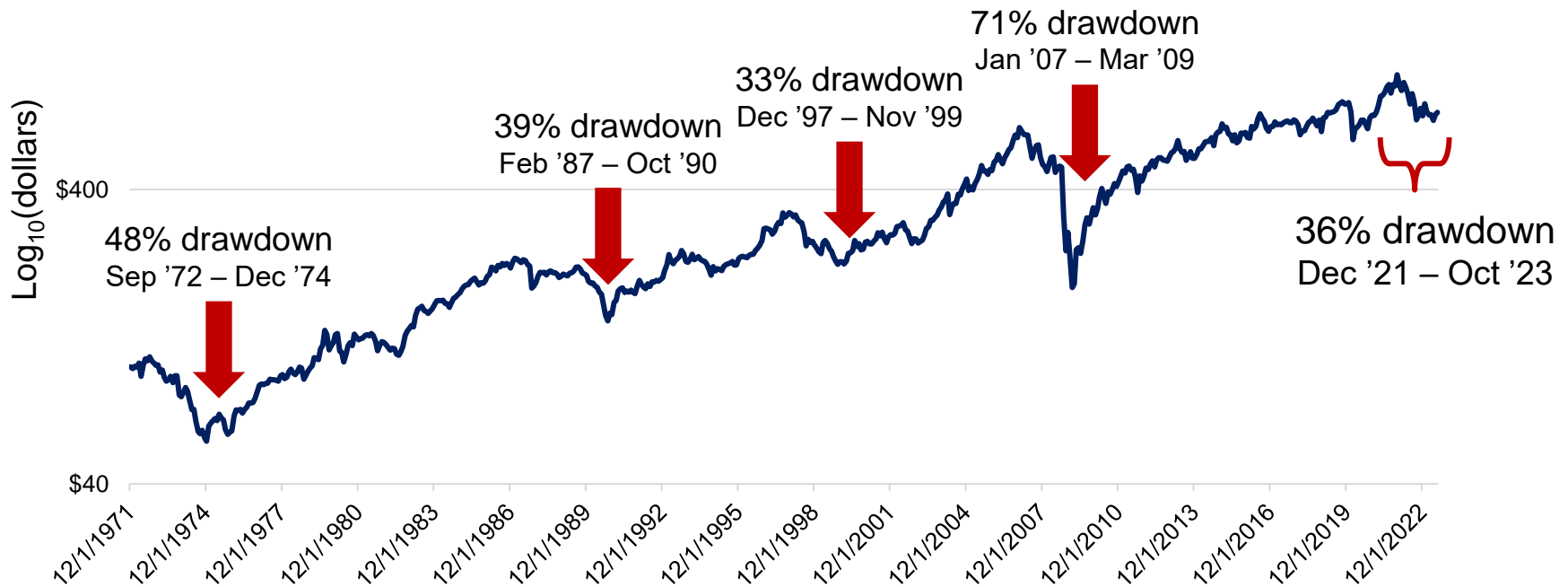
# Why Now?

- 3 and 5 year total returns following a ~30% drawdown in the FTSE NAREIT All Equity REIT Index averaged 53.8% and 109.2%, respectively

## Total Return in FTSE All Equity NAREIT Total Index after ~30% Drawdown

Timeframe	3 years	5 years
Peak in Sep 1972 to ~30% drawdown in May 1974	61.4%	126.3%
Peak in Feb 1987 to ~30% drawdown in August 1990	83.6%	100.3%
Peak in Dec 1997 to ~30% drawdown in Nov 1999	53.1%	165.4%
Peak in Jan 2007 to ~30% drawdown in Jun 2008	17.0%	45.1%
<b>Average</b>	<b>53.8%</b>	<b>109.2%</b>

## FTSE Nareit All Equity REITs Price Index Peak to Trough Drawdown



# Mid-America Apartments Historical Performance

## Pre GFC Peak to Now – 8.9% IRR



Final Value (\$):

43,705.26

Annual Return (%):

8.91

## MAA IPO to Now – 12.6% IRR



Final Value (\$):

351,310.58

Annual Return (%):

12.62

## GFC to Now – 13.28% IRR



Final Value (\$):

62,488.55

Annual Return (%):

13.28

## GFC to Peak in 2021 – 20.5% IRR



Final Value (\$):

105,665.28

Annual Return (%):

20.53

# Key Metrics and Overview of Properties - MAA

- MAA is trading at near all-time high cap rates, except during the GFC
- MAA is at around 21% Loan to Value
- Current implied cap rate is around 6.7%

Same Store Portfolio	Q3 2023	
	Apartment Units	NOI - Annualized (\$000s)
Atlanta, GA	11,434	\$164,970
Dallas, TX	10,116	\$129,898
Tampa, FL	5,220	\$89,630
Orlando, FL	5,274	\$87,032
Charlotte, NC	5,651	\$83,135
Austin, TX	6,829	\$79,238
Raleigh/Durham, NC	5,350	\$72,743
Nashville, TN	4,375	\$63,650
Charleston, SC	3,168	\$48,062
Houston, TX	4,867	\$45,464



Orlando, FL



Atlanta, GA

# Key Metrics and Overview of Properties - CPT

- CPT is trading at near all-time high cap rates, except during the GFC
- CPT is at around 26% Loan to Value
- Current implied cap rate is around 6.9%

		Q3 2023
Same Property	Apartment Homes	NOI - Annualized (\$000s)
D.C. Metro	5,911	\$119,468
Houston, TX	6,398	\$82,576
Phoenix, AZ	4,029	\$77,540
Dallas, TX	4,974	\$63,828
Atlanta, GA	3,970	\$60,668
Denver, CO	2,873	\$55,908
Tampa, FL	2,654	\$53,152
SE Florida	2,376	\$52,900
Orlando, FL	3,294	\$51,984
Charlotte, NC	2,838	\$47,536



Charlotte, NC



Atlanta, GA

# Large-cap Multifamily REITs Trade at Large Discounts

- Multifamily REITs with well-diversified portfolios trade at 100-150 bps spread over private deals
  - Large-cap REITs should trade at a premium due to liquidity, diversification, and scale

*\$ in thousands except per share data*

*Based on Q3 2023 financials*

1/8/2024

## CPT Implied Cap Rate

Share Price	\$99.25
Shares Outstanding	106,771
Market Cap	\$10,597,042

Notes Payable Unsecured	\$3,323,057
Notes Payable Secured	\$330,371
Less: Cash & Cash Equivalents	(\$14,600)
Less: Restricted Deposits	(\$8,369)

**(=) Consolidated Net Debt** **\$3,630,459**

**Enterprise Value** **\$14,227,501**

**Enterprise Value Less Developments** **\$13,990,141**

Q3 23 NOI	\$250,673
Less: Property Mgmt	(\$7,891)
Annualized NOI with adjustment	\$971,128

**Implied Cap Rate** **6.9%**

*Based on Q3 2023 financials*

1/8/2024

## MAA Implied Cap Rate

Share Price	\$133.49
Shares Outstanding	116,688
Market Cap	\$15,576,615

Notes Payable Unsecured	\$4,034,153
Notes Payable Secured	\$360,110
Less: Cash & Cash Equivalents	(\$161,897)
Less: Restricted Cash	(\$13,440)

**(=) Consolidated Net Debt** **\$4,218,926**

**Enterprise Value** **\$19,795,541**

**Enterprise Value Less Developments** **\$19,456,681**

Q3 23 NOI	\$342,819
Less: Property Mgmt	(\$16,298)
Annualized NOI with adjustment	\$1,306,084

**Implied Cap Rate** **6.7%**

# Potential Upside - MAA

\$ in thousands except per share data

Between 2023-2024 we assume property NOI decreases by 2% YoY

	1/8/2024	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Assumptions	
<b>Operating Properties NOI</b>	\$1,368,744			\$1,341,369				\$1,368,197				\$1,395,560				\$1,423,472	2.0%	Post 2024 YoY NOI Growth
<b>Properties Under Development</b>																		
Stabilizing in 2023				\$3,583				\$3,655				\$3,728				\$3,802	2%	YoY Rent Growth
Stabilizing in 2024								\$11,271				\$11,497				\$11,727	2%	YoY Rent Growth
Stabilizing in 2025												\$12,132				\$12,375	2%	YoY Rent Growth
Stabilizing in 2026																\$20,580	2%	YoY Rent Growth
<b>Total NOI</b>	\$1,368,744			\$1,341,369				\$1,368,197				\$1,395,560				\$1,471,955		
<b>Operating Properties Asset Value</b>				\$26,827,382				\$27,363,930				\$27,911,209				\$29,439,104	5.00%	Cap Rate
<b>Undeveloped Land</b>																\$73,861		Assume Same Value as Q3 2023
<b>Investments in Real Estate JVs</b>																\$42,290		Assume Same Value as Q3 2023
<b>Cash and Cash Equivalents</b>																\$161,897		Assume Same Value as Q3 2023
<b>Restricted Cash</b>																\$13,440		Assume Same Value as Q3 2023
<b>Other Assets</b>																\$215,800		Assume Same Value as Q3 2023
<b>Total Liabilities</b>																	(\$5,060,700)	Assume Same Value as Q3 2023
<b>Terminal Net Asset Value</b>																	\$24,885,692	
<b>Shares Outstanding</b>																	116,688	
<b>Share Price</b>	\$133.49																\$213.27	
<b>Cumulative Cash Build Per Share</b>																	\$11	
<b>Dividend Per Share</b>		\$1.40	\$1.40	\$1.40	\$1.44	\$1.44	\$1.44	\$1.44	\$1.49	\$1.49	\$1.49	\$1.49	\$1.53	\$1.53	\$1.53	\$1.53		4.20% Current Dividend Yield 3% YoY Dividend Share Growth
<b>Cash Flow</b>	(\$133.49)	\$1.40	\$1.40	\$1.40	\$1.44	\$1.44	\$1.44	\$1.44	\$1.49	\$1.49	\$1.49	\$1.49	\$1.53	\$1.53	\$1.53	\$225.47		

<b>IRR</b>	<b>18.5%</b>
<b>MOIC</b>	<b>1.84x</b>



# Potential Upside - CPT

\$ in thousands except per share data

Between 2023-2024 we assume property NOI decreases by 2% YoY

	1/8/2024	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Assumptions
<b>Operating Properties NOI</b>	\$1,002,692			\$982,638				\$1,002,291				\$1,022,337				\$1,042,783	2.0% Post 2024 YoY NOI Growth
<b>Properties Under Development</b>																	
Stabilizing in 2024								\$15,780				\$16,096				\$16,418	2% YoY Rent Growth
Stabilizing in 2025												\$8,700				\$8,874	2% YoY Rent Growth
Stabilizing in 2026																\$8,280	2% YoY Rent Growth
<b>Total NOI</b>	\$1,002,692			\$982,638				\$1,002,291				\$1,022,337				\$1,076,355	
<b>Operating Properties Asset Value</b>				\$19,652,763				\$20,045,818				\$20,446,735				\$21,527,100	5.00% Cap Rate
<b>Cash and Cash Equivalents</b>																\$14,600	Assume Same Value as Q3 2023
<b>Restricted Cash</b>																\$8,369	Assume Same Value as Q3 2023
<b>Other Assets</b>																\$237,594	Assume Same Value as Q3 2023
<b>Total Liabilities</b>																(\$4,279,485)	Assume Same Value as Q3 2023
<b>Terminal Net Asset Value</b>																\$17,508,178	
<b>Shares Outstanding</b>																106,771	
<b>Share Price</b>	\$99.25															\$163.98	
<b>Cumulative Cash Build Per Share</b>																\$10	
<b>Dividend Per Share</b>		\$1.00	\$1.00	\$1.00	\$1.03	\$1.03	\$1.03	\$1.03	\$1.06	\$1.06	\$1.06	\$1.06	\$1.09	\$1.09	\$1.09	\$1.09	4.03% Current Dividend Yield 3% YoY Dividend Share Growth
<b>Cash Flow</b>	(\$99.25)	\$1.00	\$1.00	\$1.00	\$1.03	\$1.03	\$1.03	\$1.03	\$1.06	\$1.06	\$1.06	\$1.06	\$1.09	\$1.09	\$1.09	\$175.30	

<b>IRR</b>	<b>19.7%</b>
<b>MOIC</b>	<b>1.91x</b>

# Comparison of Risk Adjusted Returns

## Private Real Estate Syndications

Assumptions	
Purchase Price	\$100.00
Loan to Value	60%
Interest Rate	5 Year Fixed
	5.0%
Entering Cap Rate	5.25%
Terminal Cap Rate	5.0%
Broker Cost and Fees	2.0%
Acquisition Fee	1.0%
Exit Cost	3.0%

	Year 0	Year 1	Year 2	Year 3	Year 4
Purchase Cost	(\$43.00)				
NOI Growth		2%	2%	2%	2%
NOI	\$5.25	\$5.36	\$5.46	\$5.57	\$5.68
Interest Rate	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Expense	(\$3.00)	(\$3.00)	(\$3.00)	(\$3.00)	(\$3.00)
Sale					\$113.66
Sale Proceeds					\$50.25
Cumulative Cash Build					\$0.00
Capex	(\$0.80)	(\$0.80)	(\$0.80)	(\$0.80)	(\$0.80)
<b>Cash Flow</b>	<b>(\$41.55)</b>	<b>\$1.56</b>	<b>\$1.66</b>	<b>\$1.77</b>	<b>\$52.13</b>

IRR **8.7%**

## Public Real Estate (Large Cap REITs)

Assumptions	
Purchase Price	\$100.00
Loan to Value	23%
Interest Rate	5 Year Fixed
	3.4%
Entering Cap Rate	6.7%
Terminal Cap Rate	5.0%
Broker Cost and Fees	0.0%
Acquisition Fee	0.0%
Exit Cost	0.0%

	Year 0	Year 1	Year 2	Year 3	Year 4
Purchase Cost	(\$77.00)				
NOI Growth		-2%	2%	2%	2%
NOI	\$6.70	\$6.57	\$6.70	\$6.83	\$6.97
NOI from Developments		\$0.02	\$0.07	\$0.13	\$0.24
Interest Expense	(\$0.78)	(\$0.78)	(\$0.78)	(\$0.78)	(\$0.78)
Sale					\$144.10
Sale Proceeds					\$121.10
Cumulative Cash Build					\$4.75
Capex	(\$0.80)	(\$0.80)	(\$0.80)	(\$0.80)	(\$0.80)
Cash Flow Payout	\$3.65	\$3.12	\$3.21	\$3.31	\$3.41
<b>Cash Flow</b>	<b>(\$73.35)</b>	<b>\$3.12</b>	<b>\$3.21</b>	<b>\$3.31</b>	<b>\$129.27</b>

IRR **18.1%**

		Entry Cap Rate					
		3.50%	4.00%	4.50%	5.00%	5.50%	6.00%
Exit Cap Rate	3.50%	0.7%	9.6%	17.2%	23.8%	29.7%	35.2%
	4.00%	-7.7%	2.2%	10.2%	17.1%	23.3%	28.9%
	4.50%	-16.2%	-5.0%	3.7%	11.0%	17.4%	23.2%
	5.00%	-25.6%	-12.2%	-2.6%	5.2%	12.0%	17.9%
	5.50%	-37.4%	-19.9%	-8.9%	-0.3%	6.8%	13.0%
	6.00%	-59.5%	-28.6%	-15.3%	-5.8%	1.8%	8.4%
	6.50%	-59.5%	-39.9%	-22.3%	-11.4%	-3.1%	3.9%
	7.00%	-59.5%	-63.6%	-30.4%	-17.3%	-8.0%	-0.5%

		Entry Cap Rate					
		5.50%	6.00%	6.50%	7.00%	7.50%	8.00%
Exit Cap Rate	4.50%	15.3%	18.0%	20.5%	22.9%	25.1%	27.2%
	5.00%	12.0%	14.7%	17.2%	19.5%	21.7%	23.8%
	5.50%	9.2%	11.8%	14.2%	16.5%	18.7%	20.7%
	6.00%	6.6%	9.2%	11.6%	13.8%	16.0%	18.0%
	6.50%	4.2%	6.8%	9.2%	11.4%	13.5%	15.5%
	7.00%	2.1%	4.6%	7.0%	9.2%	11.2%	13.2%
	7.50%	0.1%	2.6%	4.9%	7.1%	9.2%	11.1%
	8.00%	-1.7%	0.8%	3.1%	5.2%	7.3%	9.2%

# Very Low Bankruptcy Risk in Public Market REITs

- Large cap REITs have:
  - Much lower leverage today than during the Great Financial Crisis
    - Nearly impossible to breach debt covenants
  - Low risk of dividend suspension

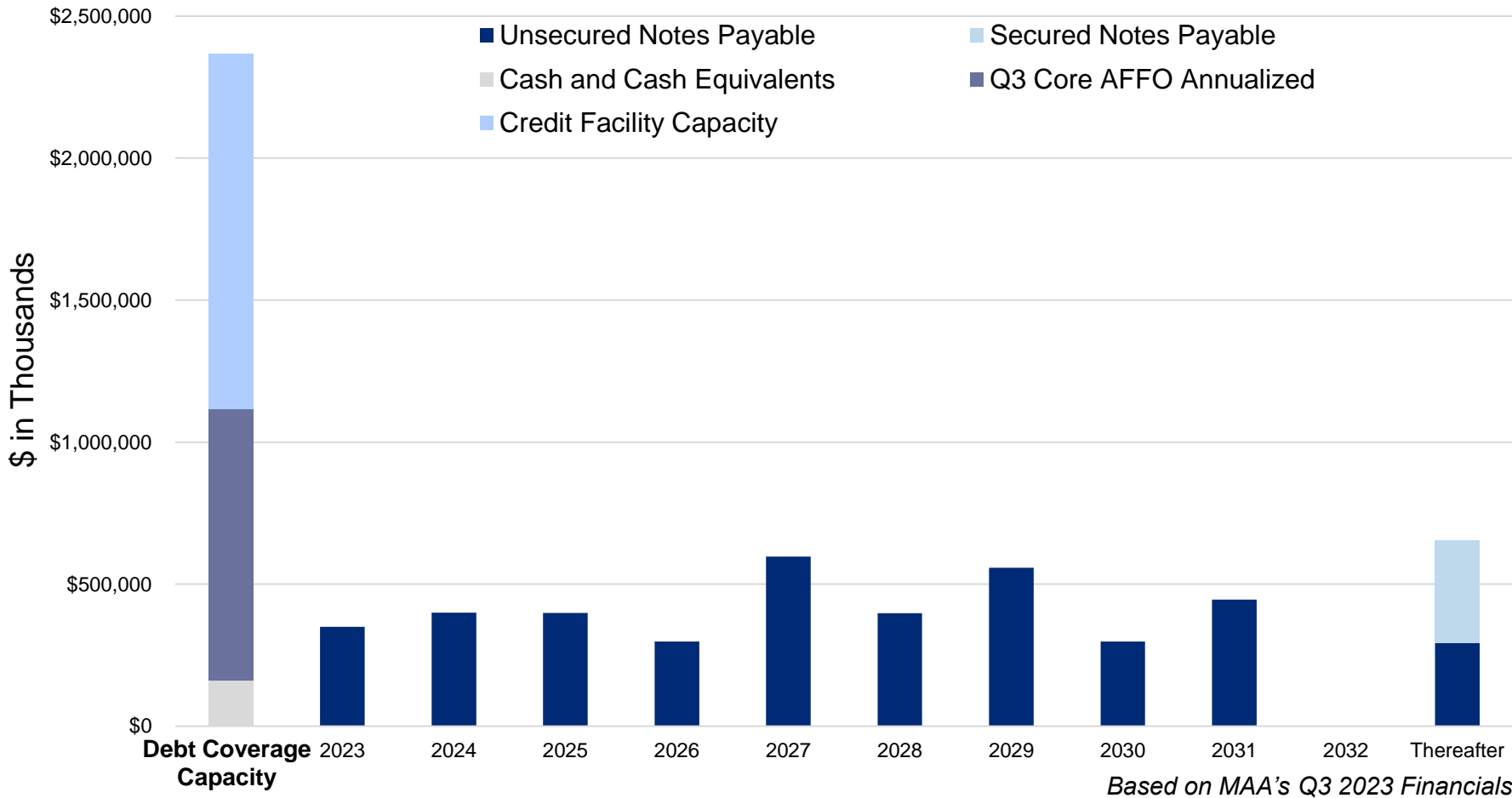
<b>Debt Service Coverage Ratios (Now)</b>					
	<b>Last 12 Months</b>	<b>12/31/2022</b>	<b>12/31/2021</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
<b>Prologis Inc</b>	9.85x	14.25x	13.52x	10.37x	9.72x
<b>Mid America Apartments</b>	8.42x	7.58x	6.37x	5.61x	5.17x
<b>AvalonBay</b>	7.86x	7.06x	6.36x	6.71x	7.40x
<b>Camden Property Trust</b>	6.88x	7.41x	6.79x	6.48x	7.46x
<b>Equity Residential</b>	6.48x	5.90x	5.28x	4.38x	4.41x

<b>Debt Service Coverage Ratios (GFC)</b>					
	<b>12/31/2011</b>	<b>12/31/2010</b>	<b>12/31/2009</b>	<b>12/31/2008</b>	<b>12/31/2007</b>
<b>Prologis Inc</b>	1.89x	0.95x	1.55x	2.63x	3.84x
<b>Mid America Apartments</b>	3.29x	3.19x	3.16x	2.88x	2.75x
<b>AvalonBay</b>	3.21x	2.86x	3.28x	4.03x	5.12x
<b>Camden Property Trust</b>	2.59x	2.13x	2.28x	2.30x	2.56x
<b>Equity Residential</b>	1.91x	2.06x	1.90x	2.19x	2.06x

# Mid-America Apartment Debt Maturity Schedule

- Mid-America Apartments can cover debt maturities through 2027 with one year of adjusted funds from operation, cash, and credit facility capacity

**Mid-America Apartments (MAA) Debt Maturity Schedule**

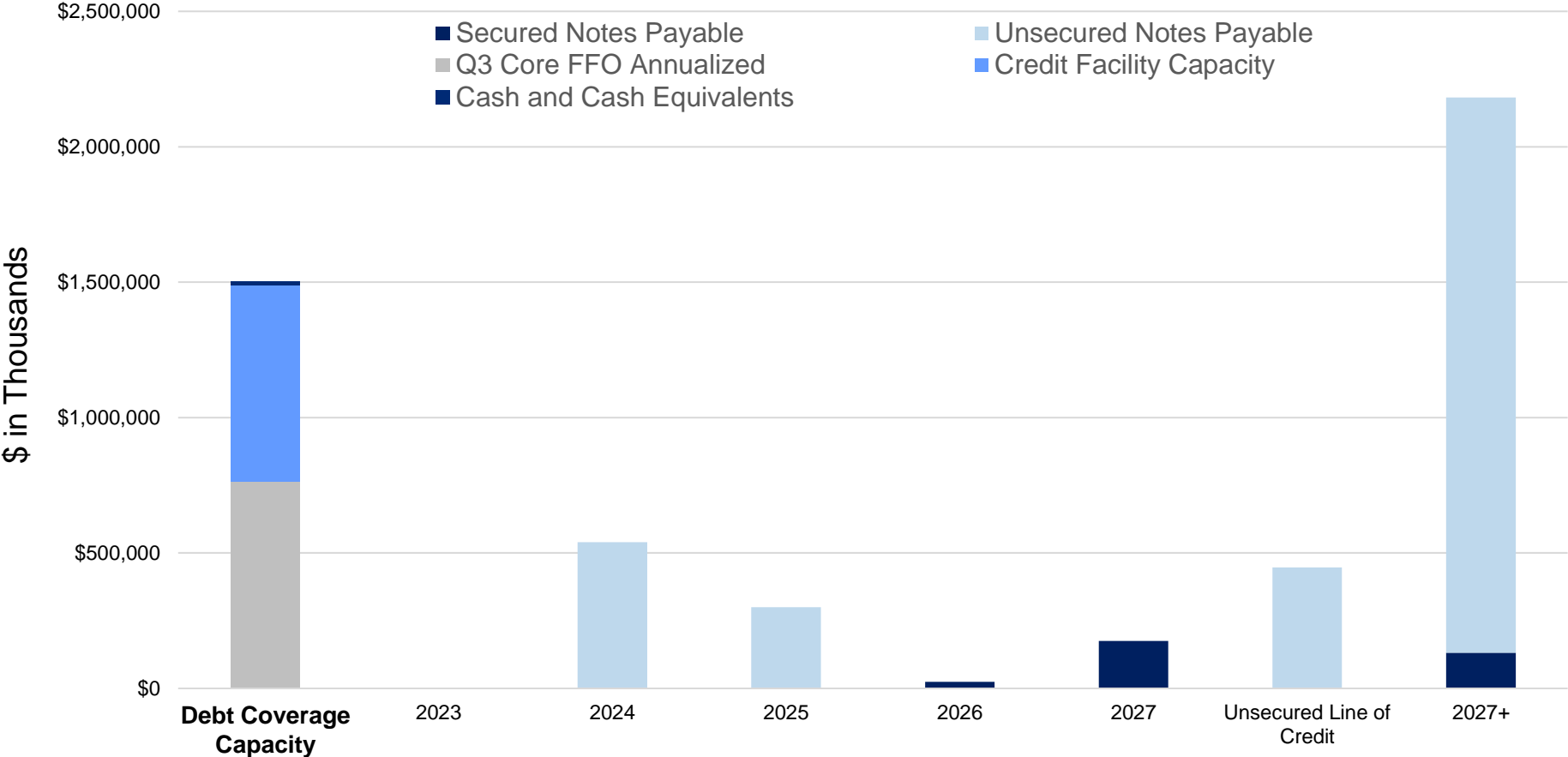


*Based on MAA's Q3 2023 Financials*

# Camden Property Trust Debt Maturity Schedule

- Camden Property Trust can cover debt maturities and their unsecured line of credit through 2027 with one year of adjusted funds from operation, cash, and credit facility capacity

## Camden Property Trust (CPT) Debt Maturity Schedule



Based on CPT's Q3 2023 Financials

# Low Probability of REIT Dividends Being Cut

- We estimate that large-cap multifamily REITs only pay out 62% to 72% of their free cash flow while retaining the rest for internal growth and acquisitions
- Interest expense as a percent of NOI is very low ranging from 10% to 14%

*\$ in thousands except per share data*

*Based on Q3 2023 financials*

	AVB	CPT	MAA	EQR	Assumptions
Q3 2023 Funds From Operations	\$377,734	\$190,745	\$274,892	\$376,912	
<b>Dividends as a % of FFO</b>	<b>62%</b>	<b>58%</b>	<b>61%</b>	<b>69%</b>	
Q3 2023 Total NOI	\$472,377	\$250,673	\$342,819	\$492,122	
Less: Prop mgmt & Related Expenses	(\$32,359)	(\$8,335)	(\$16,298)	(\$28,169)	
Less: General & Admin Expenses	(\$20,466)	(\$15,543)	(\$13,524)	(\$14,094)	
Less: Interest Expense	(\$48,115)	(\$33,006)	(\$36,651)	(\$68,891)	
Less: Estimated Maintenance Capex	(\$21,417)	(\$15,129)	(\$23,821)	(\$20,053)	\$1,000 a unit per year
<b>Free Cash Flow</b>	<b>\$350,020</b>	<b>\$178,661</b>	<b>\$252,525</b>	<b>\$360,915</b>	
<b>Interest Expense as a % of NOI</b>	<b>10%</b>	<b>13%</b>	<b>11%</b>	<b>14%</b>	
Q3 2023 Dividends & Distributions	\$234,777	\$110,463	\$167,766	\$259,624	
<b>Dividend as a % of True FCF</b>	<b>67%</b>	<b>62%</b>	<b>66%</b>	<b>72%</b>	

# REITs are well Capitalized and have access to Capital Markets

- MAA and CPT can draw \$725 million to \$1.2 billion from their credit facilities

*Based on Q3 2023 Financials*

	<b>Unsecured revolving credit facility available (\$000s)</b>	<b>Notes</b>
MAA	\$1,250,000	MAA has no borrowings outstanding
CPT	\$725,200	

01/03/2024

Camden Property Trust Prices \$400 Million 4.900% Senior Unsecured Notes Due 2034

1/4/2024  
5:03 PM ET

PRESS RELEASE

**MAA Announces Pricing of Senior Unsecured Notes Offering**

# Tides Equities vs. the Big Multifamily REITs

- Large-cap multifamily REITs are looking to buy distressed assets while private real estate sponsors are issuing capital calls

## Private real estate sponsors:

☰ 🔍 [All Markets >](#) [Sectors >](#)

**THE REAL DEAL**  
REAL ESTATE NEWS

COMMERCIAL **LOS ANGELES**

## Facing cash crunch, Tides may call investors for more money

Up to 20% of multifamily investment firm's portfolio needs extra capital

## Large cap multifamily REITs:

““ We are expecting to be even more compelling opportunities as we move forward with some of the distress in the market ””

Mid-America Apts Earnings Call Q1 23

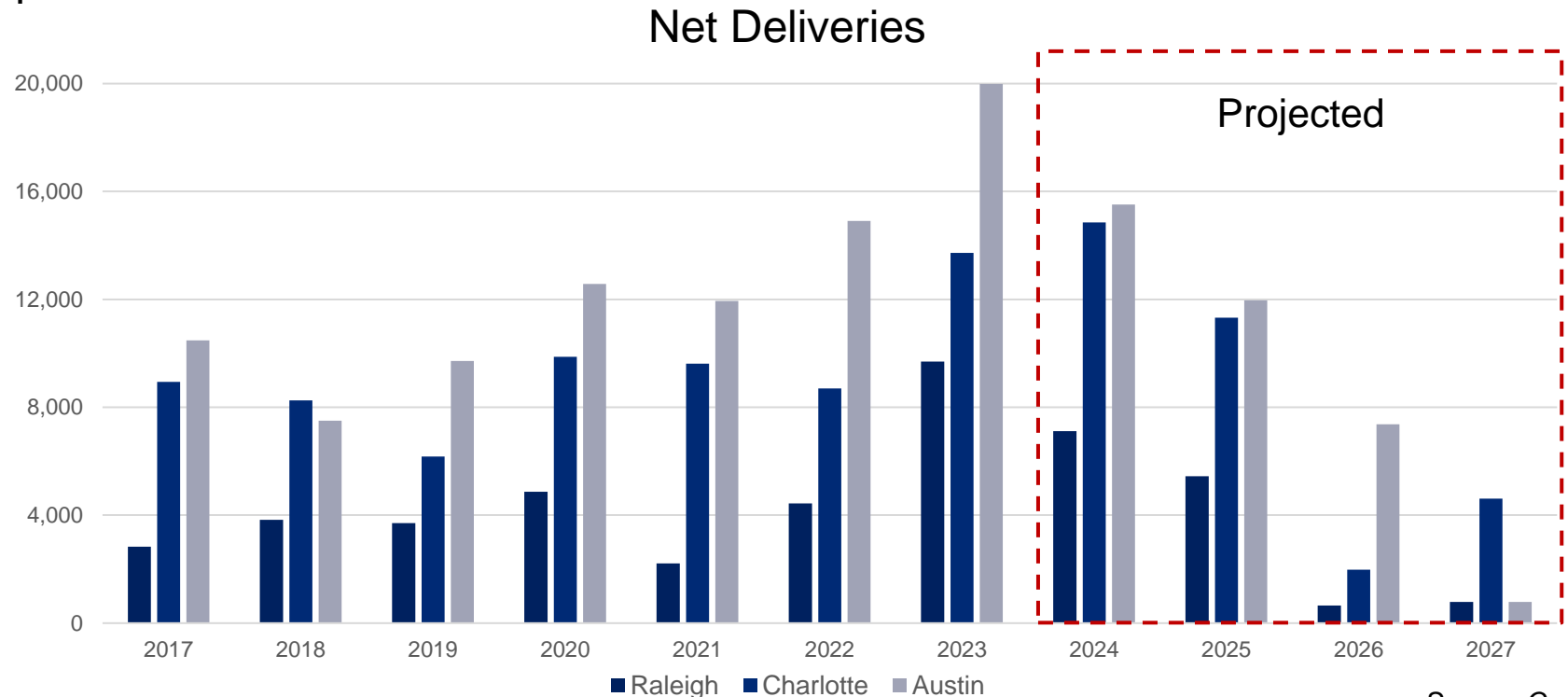
““ And for once, we actually do have a cost of capital advantage over the private guys ””

Camden Property Trust Call Q3 23



# Why is this Opportunity Available?

- Record multifamily deliveries expected in the sunbelt
- New deliveries will likely plummet post 2025 after two years of elevated deliveries
  - Large-cap REITs can weather this, while private syndicators may be forced to sell
- Mid America management commented that only ~20% of their portfolio is impacted by this upcoming supply wave after factoring in location and price point



Source: Costar

# Cap Rate Stress Test Reveals “Heads I win, Tails I win Less”

Multifamily  
Cap Rates  
increase to  
7%

Multifamily  
Cap Rates  
decrease to  
4.5%

## Public REITs

Expected Returns – Mid Single Digits IRR

Positive:

- Better long-term rent growth due to less new supply
- Near zero bankruptcy and capital call risk for low LTV REITs
- Will likely earn good returns on distressed acquisitions

Negative:

- Short-term valuation declines

## Private Real Estate Syndications

Expected Returns – Significant Impairment

- Higher bankruptcy risk
- Potential total impairment of capital when debt matures
- LPs may have to decide whether to meet capital calls or not

Expected Return – High Teens IRR

Positive:

- Immediate 40%-70% upside
- Immediate liquidity
- Could potentially use low-cost equity to make accretive acquisitions

Negative

- Lower upside than private real estate due to lower leverage

Expected Returns – High Teens to Mid Twenties IRR

- Higher potential upside due to higher leverage