



Introduction to REITs

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- Understanding REITs
- REIT structure
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- How REITs grow

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What is a Real Estate Investment Trust (REIT)?

Public

Non-Public

Private

REIT = Tax efficient pass-through company owning income producing properties

Required to distribute to shareholders 75% to 100% of net profits (90% in US)

At least 75% of total assets are held in real estate, mortgage loans, shares of other REITs.

At least 75% of gross income comes from rental properties or investments in real estate

Minimum number of shareholders required (100 in US), with no more than 50% of shares owned by five or fewer

Managed by trustees or board of directors

Types of REITS

Debt (Mortgage)

Equity

Regional malls

Shopping Centers

Retail

Residential

Office

Industrial

Healthcare

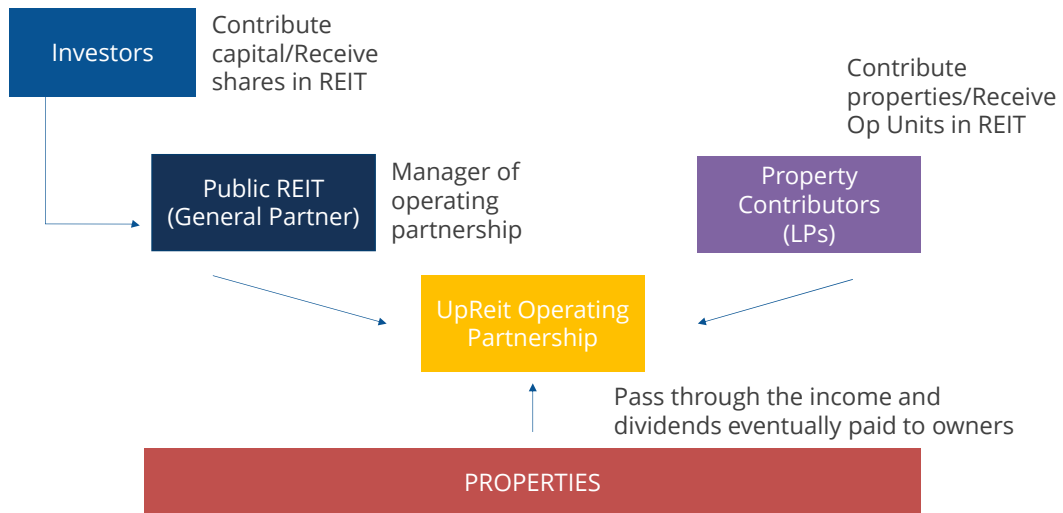
Lodging

Timber

Self-Storage

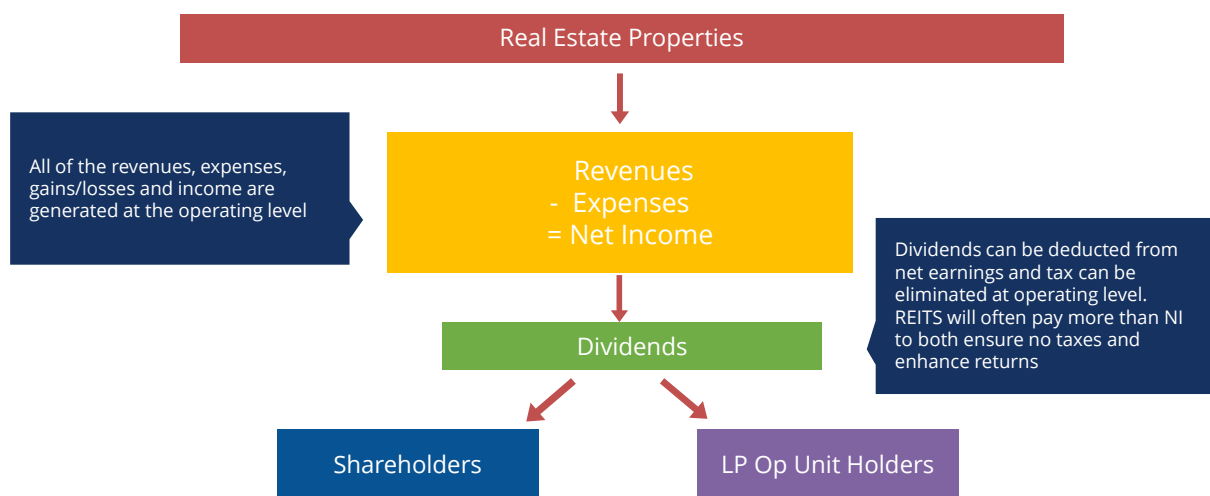
Lab/Data

Typical Structure of a REIT



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How the Pass-through Works



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The Typical REIT Balance Sheet - Assets

ASSETS	2018
Net Real Estate Assets	\$10,156,553
Co-investments	11,911,322
Cash and marketable securities	360,940
Notes and other receivables	71,895
Prepaid expenses and other assets	39,439
Total assets	\$12,383,596

Revenue generating assets where the REIT owns a controlling stake

Revenue generating assets where the REIT has an equity or JV stake

Various other assets including office PPE, insurance receivables, etc.

The Typical REIT Balance Sheet – Liabilities and Equity

LIABILITIES	2018
Unsecured Debt	\$3,799,316
Mortgage notes	1,906,626
Accounts payable and other liabilities	160,461
Construction payable	59,345
Distributions payable	128,529
Total liabilities	\$12,217,408
Redeemable non-controlling interest	35,375
Common Stock and APIC	7,092,086
Distribution in Excess of Earnings	(826,013)
Non-controlling interest	126,771
Total Equity	\$6,393,844
Total Liabilities and Equity	\$12,383,596

Loans not secured by real estate

Loans backed by real estate assets

Notes related to construction of developments, redevelopments

Dividends declared but not yet paid

Put options controlled by NCI owners than force REIT to convert to cash or equity

The opposite of retained earnings – how REITs avoid taxes

The net asset stake of the owners who maintain a minority stake in assets controlled by the REIT

The Typical REIT Cash Flow Statement - Operations

	2018
Net income	565,586
Depreciation and amortization	466,892
(Gain) Loss on disposal of assets	(25,000)
Net income attributable to noncontrolling interest	23,446
Income from Equity Co-Investments	(84,084)
Changes in operating assets and liabilities	10,994
Net operating cash flow	957,834

Similar to any other CFO – reconciliation of NI to cash

NCLs are a big part of REITs as it is quite common for a building owner to retain a portion of the building that is eventually contributed to REIT

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The Typical REIT Cash Flow Statement - Investing

	2018
Acquisitions	(200,000)
Developments	(162,939)
Redevelopment	(65,000)
Capital expenditure on rentals	(86,510)
Disposals of real estate	<u>125,000</u>
Total cash flow from investing	(389,449)

Much different from a non-RE company as REITs are asset intensive and require much investment

Capex here is primarily maintenance capex or any expenditure above a certain cost that has long term use

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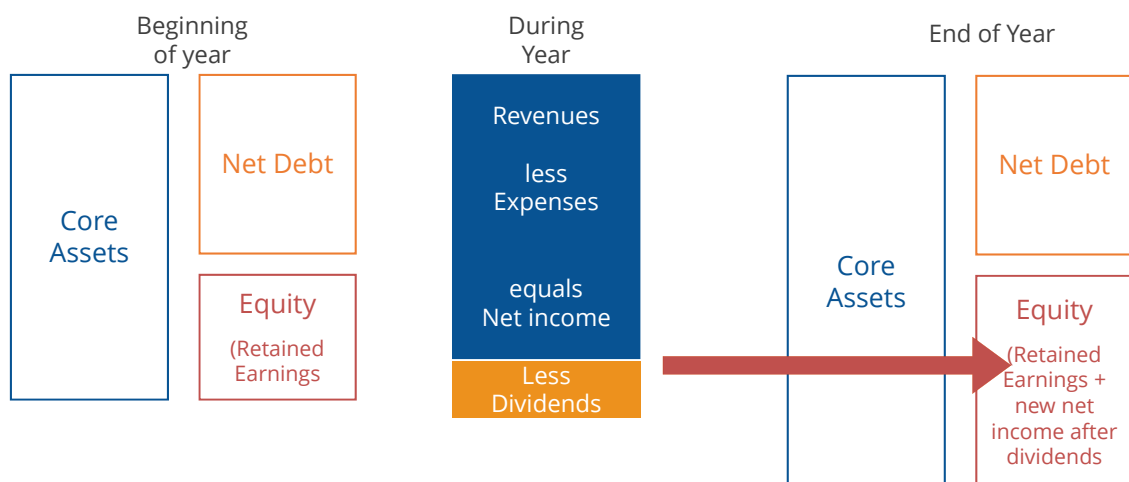
The Typical REIT Cash Flow Statement - Financing

	2018
Issuance of debt	71,273
Issuance of equity	31,299
Dividends paid to common	(604,487)
Distributions paid to NCI	(26,979)
Total cash flow from financing	(528,894)

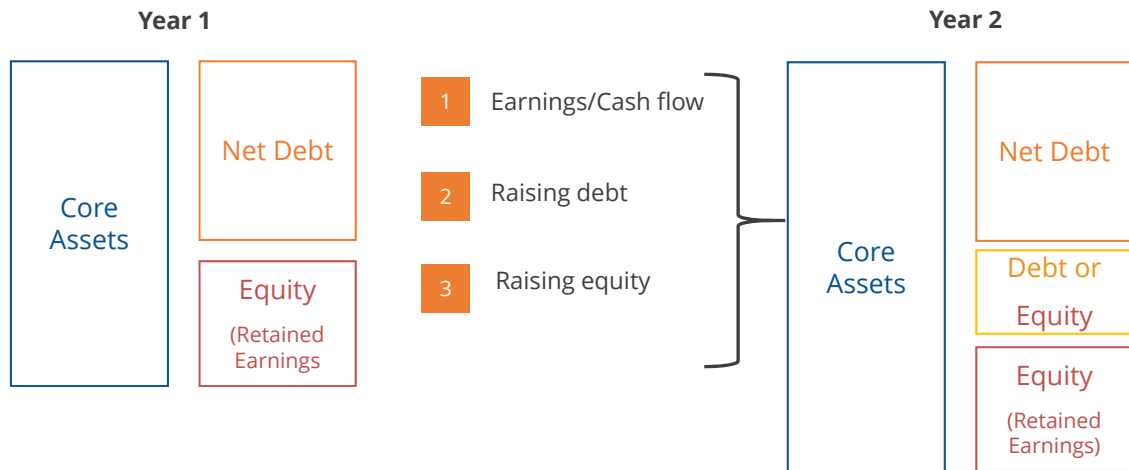
Debt and equity regularly issued to fund asset growth

One of the most important figures in a REIT's financials – the all-important dividend

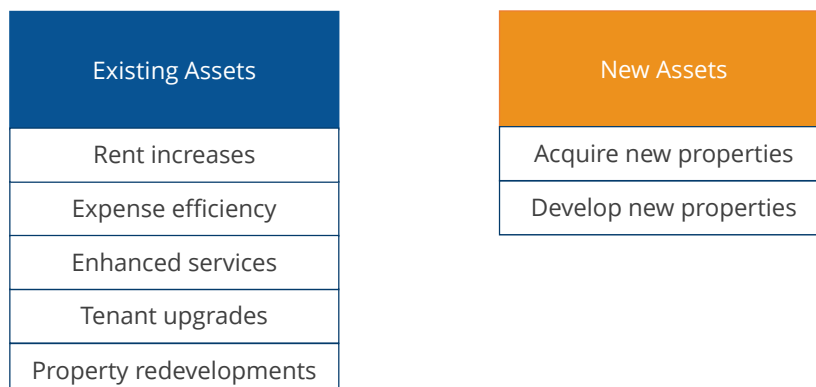
How Traditional Companies Grow Their Balance Sheets



How REITs Grow Their Balance Sheets

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Earnings Growth in REITS

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