

The Impact of Leverage on AFFO Yields and AFFO Growth

Leveraged REITs are reporting inflated AFFO and AFFO growth, while the opposite is true of underleveraged REITs.

			Leverage Ratio	Actual Estimates			Leverage Neutral Estimates			Amount by which AFFO Yield/Growth is inflated	
				'98E AFFO	'98E AFFO Yield	'99 v '98 AFFO Growth	'98E AFFO	'98E AFFO Yield	'99 v '98 AFFO Growth	AFFO Yield	Growth Rate
1	CWN	CROWN AMERN REALTY	68.5%	\$0.88	10.1%	6.8%	\$0.76	8.6%	4.9%	1.4%	2.0%
2	GGP	GENERAL GROWTH PPTYS INC	66.8%	\$2.72	8.1%	14.3%	\$2.58	7.7%	10.5%	0.4%	3.8%
3	RSE	ROUSE CO	61.4%	\$2.38	9.6%	11.8%	\$2.14	8.6%	9.4%	1.0%	2.4%
4	TZH	TRIZEC HAHN CORP	59.1%	\$1.15	6.2%	27.8%	\$1.19	6.5%	22.9%	(0.2%)	4.9%
5	CBL	CBL & ASSOC PPTYS INC	56.9%	\$2.15	8.8%	8.8%	\$2.04	8.3%	7.5%	0.4%	1.3%
6	SPG	SIMON DEBARTOLO GROUP INC	56.9%	\$2.26	8.3%	10.6%	\$2.17	8.0%	9.0%	0.3%	1.6%
7	AEC	ASSOCIATED ESTATES RLTY CORP	56.2%	\$2.14	13.1%	5.6%	\$1.89	11.5%	4.8%	1.5%	0.8%
8	URB	URBAN SHOPPING CTRS INC	56.0%	\$2.57	8.2%	9.7%	\$2.48	8.0%	8.4%	0.3%	1.4%
9	MAC	MACERICH CO	54.6%	\$1.95	8.2%	9.2%	\$1.89	7.9%	8.1%	0.2%	1.1%
10	UDR	UNITED DOMINION REALTY TR INC	54.1%	\$1.12	9.8%	6.3%	\$1.05	9.3%	5.5%	0.6%	0.7%
11	MHC	MANUFACTURED HOME CMNTYS INC	51.9%	\$1.88	8.4%	10.1%	\$1.83	8.2%	9.2%	0.2%	0.9%
12	TCT	TOWN & CTRY TR	51.7%	\$1.55	10.9%	3.9%	\$1.46	10.2%	3.5%	0.6%	0.3%
13	GBP	GABLES RESIDENTIAL TR	51.0%	\$2.43	10.4%	11.1%	\$2.32	9.9%	10.2%	0.5%	0.9%
14	SPK	SPIEKER PPTYS INC	50.6%	\$2.60	7.8%	12.7%	\$2.57	7.7%	11.7%	0.1%	1.0%
15	SMT	SUMMIT PPTYS INC	50.4%	\$1.85	10.9%	5.9%	\$1.76	10.4%	5.5%	0.5%	0.4%
16	WKS	WEEKS CORP	50.2%	\$2.36	8.6%	12.3%	\$2.31	8.5%	11.4%	0.2%	0.9%
17	TCO	TAUBMAN CTRS INC	50.0%	\$0.97	7.4%	10.3%	\$0.96	7.3%	9.6%	0.0%	0.7%
18	HIW	HIGHWOODS PPTYS INC	49.8%	\$2.70	10.8%	10.4%	\$2.59	10.4%	9.7%	0.5%	0.7%
19	DDR	DEVELOPERS DIVERSIFIED RLTY CO	49.7%	\$1.67	10.1%	10.2%	\$1.61	9.8%	9.5%	0.3%	0.7%
20	MLS	MILLS CORP	49.3%	\$1.76	8.1%	13.6%	\$1.73	8.0%	12.8%	0.1%	0.8%
21	EQR	EQUITY RESIDENTIAL PPTYS TR	47.8%	\$3.41	9.6%	8.8%	\$3.33	9.4%	8.4%	0.2%	0.4%
22	JPR	JP REALTY INC	47.4%	\$2.05	10.5%	7.3%	\$2.00	10.2%	7.0%	0.2%	0.3%
23	VNO	VORNADO REALTY TR	47.2%	\$2.25	7.9%	18.7%	\$2.23	7.8%	18.0%	0.1%	0.7%
24	FRT	FEDERAL REALTY INVT TR	46.8%	\$1.87	8.9%	7.0%	\$1.85	8.8%	6.7%	0.1%	0.2%
25	KIM	KIMCO REALTY CORP	45.9%	\$2.68	7.5%	20.1%	\$2.67	7.5%	19.7%	0.0%	0.4%
26	LRY	LIBERTY PPTY TR	44.3%	\$2.07	9.4%	12.1%	\$2.07	9.3%	12.1%	0.0%	0.0%
27	SKT	TANGER FACTORY OUTLET CTRS INC	44.1%	\$3.29	12.7%	7.6%	\$3.29	12.7%	7.6%	0.0%	0.0%
28	WIR	WESTERN INVT REAL ESTATE TR	43.8%	\$1.17	9.3%	8.5%	\$1.17	9.3%	8.6%	0.0%	0.0%
29	EOP	EQUITY OFFICE PROPERTIES TRUST	43.7%	\$1.72	7.7%	9.9%	\$1.72	7.7%	9.9%	0.0%	0.0%
30	MRY	MERRY LD & INVT INC	42.2%	\$1.85	9.9%	8.6%	\$1.87	10.1%	8.8%	(0.1%)	(0.2%)
31	CRE	CARRAMERICA RLTY CORP	41.8%	\$2.07	10.0%	14.0%	\$2.10	10.1%	14.4%	(0.2%)	(0.4%)
32	CLP	COLONIAL PPTYS TR	41.8%	\$2.70	10.5%	8.5%	\$2.74	10.7%	8.7%	(0.2%)	(0.2%)
33	CPT	CAMDEN PPTY TR	41.8%	\$2.65	9.8%	9.1%	\$2.68	9.9%	9.3%	(0.1%)	(0.2%)
34	CPP	CORNERSTONE PPTY INC	41.3%	\$1.21	9.0%	5.8%	\$1.23	9.2%	6.0%	(0.1%)	(0.2%)
35	DRE	DUKE REALTY INVT INC	41.1%	\$1.63	7.9%	13.5%	\$1.64	8.0%	14.0%	0.0%	(0.5%)
36	RA	RECKSON ASSOCS RLTY CORP	40.9%	\$1.59	8.4%	12.6%	\$1.61	8.5%	13.0%	(0.1%)	(0.5%)
37	SRW	SMITH CHARLES E RESDNTL RLTY	40.8%	\$2.62	8.9%	10.7%	\$2.66	9.0%	11.1%	(0.1%)	(0.4%)
38	SUS	STORAGE USA INC	40.5%	\$3.02	10.0%	9.6%	\$3.08	10.2%	10.0%	(0.2%)	(0.4%)
39	WRI	WEINGARTEN RLTY INVS	40.0%	\$3.27	8.1%	9.8%	\$3.30	8.2%	10.3%	(0.1%)	(0.5%)
40	AML	AMLI RESIDENTIAL PPTYS TR	39.9%	\$2.18	10.8%	8.3%	\$2.25	11.2%	8.7%	(0.4%)	(0.4%)
41	BXP	BOSTON PROPERTIES INC	39.8%	\$1.95	7.9%	22.1%	\$1.97	7.9%	23.2%	(0.1%)	(1.1%)
42	AMB	AMB PROPERTY CORP	38.9%	\$1.61	7.0%	11.8%	\$1.61	7.0%	12.5%	0.0%	(0.7%)
43	REG	REGENCY RLTY CORP	38.7%	\$2.11	10.2%	9.5%	\$2.18	10.6%	10.1%	(0.3%)	(0.6%)
44	PP	PRENTISS PPTYS TR	38.4%	\$1.96	9.9%	12.2%	\$2.03	10.3%	13.1%	(0.4%)	(0.8%)
45	CLI	MACK CALI RLTY CORP	38.2%	\$2.62	9.7%	8.8%	\$2.72	10.1%	9.4%	(0.4%)	(0.6%)
46	IRT	IRT PPTY CO	38.1%	\$1.09	11.6%	6.0%	\$1.14	12.2%	6.4%	(0.6%)	(0.4%)
47	IAC	IRVINE APT CMNTYS INC	38.1%	\$2.15	8.9%	13.0%	\$2.22	9.2%	13.9%	(0.3%)	(0.9%)
48	NPR	NEW PLAN RLTY TR	38.0%	\$1.94	9.5%	9.8%	\$1.99	9.8%	10.5%	(0.2%)	(0.7%)
49	CCG	CHELSEA GCA RLTY INC	37.8%	\$3.25	10.0%	8.3%	\$3.36	10.3%	8.9%	(0.3%)	(0.6%)
50	ASN	ARCHSTONE CMNTYS TR	37.5%	\$1.72	9.0%	14.5%	\$1.77	9.2%	15.7%	(0.3%)	(1.1%)
51	KRC	KILROY RLTY CORP	37.4%	\$1.99	10.4%	9.0%	\$2.10	11.0%	9.8%	(0.6%)	(0.7%)
52	AVB	AVALON BAY CMNTYS INC	37.3%	\$2.81	8.9%	15.7%	\$2.89	9.2%	16.9%	(0.3%)	(1.2%)
53	PPS	POST PPTYS INC	37.0%	\$3.19	8.7%	9.4%	\$3.28	9.0%	10.2%	(0.2%)	(0.8%)
54	PLD	PROLOGIS TR	36.3%	\$1.47	7.0%	15.0%	\$1.47	7.0%	16.3%	0.0%	(1.4%)
55	SUI	SUN COMMUNITIES INC	35.3%	\$2.55	8.2%	12.2%	\$2.61	8.3%	13.4%	(0.2%)	(1.2%)
56	BRE	BRE PROPERTIES INC	35.0%	\$2.04	9.2%	12.7%	\$2.14	9.7%	14.1%	(0.5%)	(1.4%)
57	SHU	SHURGARD STORAGE CTRS INC	34.1%	\$2.41	9.5%	8.7%	\$2.54	10.0%	9.7%	(0.5%)	(1.0%)
58	CPJ	CHATEAU CMNTYS INC	32.6%	\$2.13	8.0%	11.3%	\$2.19	8.2%	12.8%	(0.2%)	(1.5%)
59	WRE	WASHINGTON REAL ESTATE INVT TR	32.5%	\$1.18	7.3%	6.8%	\$1.19	7.4%	7.7%	(0.1%)	(0.9%)
60	ARI	ARDEN RLTY GROUP INC	32.1%	\$2.01	10.1%	12.4%	\$2.19	11.0%	14.2%	(0.9%)	(1.8%)
61	SSS	SOVRAN SELF STORAGE INC	30.7%	\$2.65	11.9%	10.6%	\$3.02	13.5%	12.2%	(1.7%)	(1.7%)
62	CUZ	COUSINS PPTYS INC	28.9%	\$2.07	7.7%	12.1%	\$2.13	8.0%	14.2%	(0.2%)	(2.1%)
63	PSA	PUBLIC STORAGE INC	26.6%	\$1.95	8.3%	20.5%	\$2.06	8.8%	24.7%	(0.4%)	(4.2%)

* The leverage ratio is calculated as total liabilities as a percentage of our estimate of the current value of assets. Assets and liabilities include a pro rata share of all JV debt, and preferred shares are treated as debt.

Source: Green Street Advisors