



DSR STOCK CARD

10/16/2019

BSR REIT (HOM.U.TO) (BSRTF)

Business Model

BSR Real Estate Investment Trust is an internally managed, newly-created, unincorporated, open-ended real estate investment trust. The objectives of the REIT are to provide unitholders with an opportunity to invest in a portfolio of quality multifamily real estate properties (~50), to provide unitholders with predictable, sustainable, growing and tax efficient cash distributions. The REIT's intends to growth primarily through acquisitions and improvements of its properties.

The Company in a Nutshell

- BSR pays a monthly dividend in USD.
- BSR manages about 50 multi-family real estate properties across the Sunbelt region of the United States.
- Keep in mind this is a “new REIT” on the market, metrics to analyze are limited (no 3 yr, 5yr data).

Investment Thesis

BSR REIT is a new option for both Canadians and Americans investors seeking a steady income. The REIT trades on both markets and pays a monthly dividend in USD. BSR concentrates on managing ~10,000 apartment units in nice suburban areas across 5 states (44% units in Texas, 28% units in Arkansas, 17% units in Oklahoma, 11% units in Louisiana and Mississippi). The REIT surf on those states' healthy economy and growth through acquisitions. It is relatively early to determine if the REIT will increase its payout, but at 5%, you can afford to wait a little.

VALUATION*

Dividend Growth Rate Years 1-10: 2.00%

Terminal Dividend Growth Rate: 2.00%

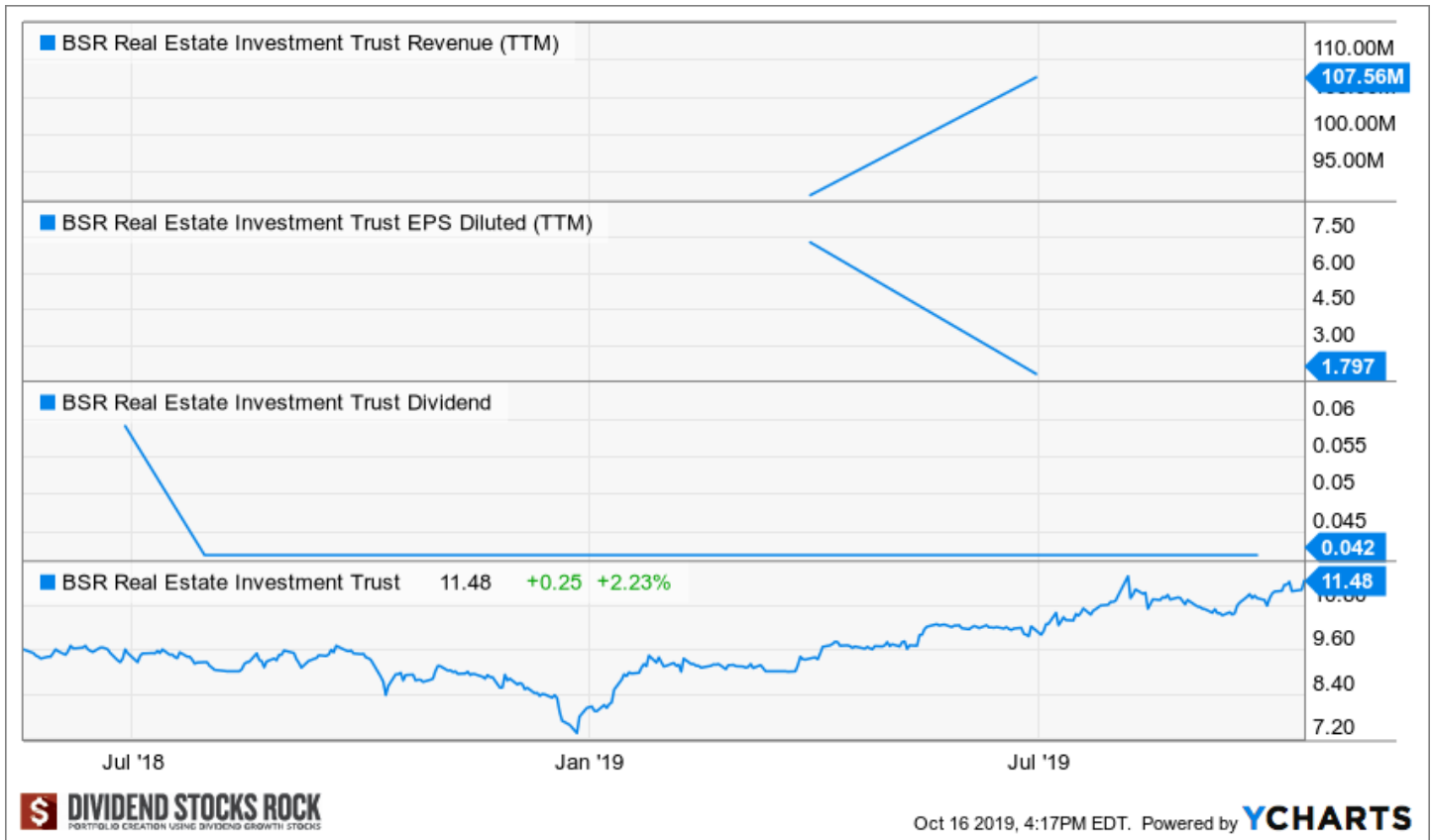
	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$8.75	\$7.66	\$6.81
10% Premium	\$8.02	\$7.02	\$6.24
Intrinsic Value	\$7.29	\$6.38	\$5.67
10% Discount	\$6.56	\$5.74	\$5.10
20% Discount	\$5.83	\$5.10	\$4.54

*Dividend payments are in USD. DDM value has been converted using a 1.25: 1 factor.



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Potential Risks

Buying units of BSR are like buying a brand-new condo. Everything looks sharp and nice, but we haven't yet found if there are any problems lying under. As of March, BSR shows a strong occupancy rate (93.3%) and AFFO payout ratio (from May 18 to Dec 31st, 2018) of 78.5%. The REIT is currently in "growth mode" and acquires several properties. This seems a little bit late to enter massively in the game considering the state of the market.

Dividend Growth Perspective

Considering its business model (focusing on multi-family units offering various amenities), BSR should do well as long as the economy is healthy. The REIT shows a high occupancy rate and a low AFFO payout ratio with enough room to increase its payouts in the future. We will reconsider our dividend growth rate in the future as management disclose more information about its dividend growth policy.