# Boston Properties (NYSE: BXP)

**Sector: Real Estate**

| Target Price | Current Price | 52 Week High | 52 Week Low | P/E | Market Cap. | Dividend Yield | Beta |
|---|---|---|---|---|---|---|---|
| $156.81 | $134.12 | $136.22 | $101.84 | 36.2x | $22.95B | 2.84% | .85 |

## Business Description

Boston Properties owns and operates class A office buildings in five major cities across the United States. These cities include New York (26.6%), Boston (31.9%), Washington D.C. (25%), and San Francisco/ Los Angeles (16.5%). These are five of the safest cities in the United States based on cap rate and building restrictions. Also, the focus on top of the line properties that will retain their value better than others during periods of recession.

## Industry Trends

The real estate market is heavily dependent on location for profitability and risk. While more people are beginning to work from home, this is hurting smaller cities such as Hartford, Detroit, and Cleveland. However, larger cities, such as those that Boston Properties own building in, are poised to continue growing and have demand. The best explanation for this is clustering and knowledge spillover. Clustering is when multiple companies in the same industry are located in the same market. For example, financials in New York, and technology in San Francisco. This provides more job security because there are many more companies someone can work for within an industry. This makes these locations more enticing for employees, driving growth in those areas. All of the Cities Boston Properties own properties in have strong clustering in industries.

## Investment Thesis

Boston Propertied will continue to provide sustainable growth to investors through three factors. First, they have a diverse geographical footprint (Boston, New York, Washington D.C., San Francisco, and Los Angeles). These cities are extremely safe for class A office space investments. Second, they have a reliable tenant base that include companies such as Google, Bank of America, WeWork, and the U.S. Government. Finally, they have many new properties in development, and are constant active investors. Boston Properties consistently sells properties in order to position themselves optimally to develop or purchase new properties.

## Corporate Social Responsibility

Boston Properties has been awarded the GRESB Green Star for 6 consecutive years in 2017, 2017 Green Lease Leader, Energy Star Partner executive member. There are several green initiatives regarding water use, waste management, greenhouse gas reduction, and energy use. Finally, of the 17 UN Sustainable Development Goals, Boston Properties is actively pursuing 7 of them; including sustainable cities and communities, clean water and sanitation, and responsible consumption and production.

## Valuation Assumptions

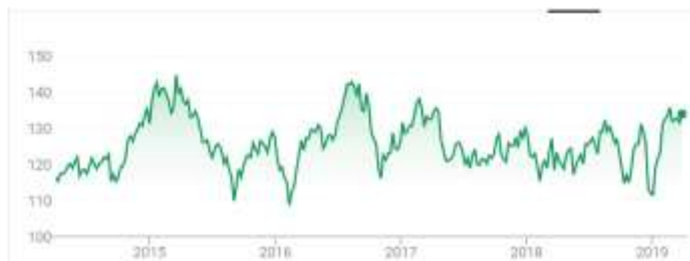
Cost of equity: 6.73%
Terminal Dividend Growth: 3%
Upside: 15.76.%

## Key Financials

Current stock price: $134.12
Intrinsic Value: $156.81

Sources: Bloomberg, Ibis, JP Morgan, Company Filings

## 5-Year Stock Performance




## Competitive Analysis

Boston Properties competes with many other companies in the class A office building market. They all compete for the opportunity to purchase office buildings when they come to the market, and also for the limited amount of land that is able to develop. They compete to fill similar properties in their areas, as well as face competition from their own tenants if they decide to sublet their properties. The amount of competition and available preparty space could affect the amount Boston Properties is able to charge their tenants for rent.

## Competitive Advantages

Boston Properties' main competitive advantage is the cities that they are in five of the safest cities on the country. The cap rate in these cities range from 4.5% in New York to 6% in Washington D.C. This provides safety for the company because they are in areas that consistently have demand, and will continue to have it in the future. Also, they work with long term leases (average length of 8 years). Also, the work with high quality tenants which limits default risk. Both of these factors help protect them in times of recession because these strong companies will most likely be able to survive recessions, and continue to pay rent though this time.

## Risks

We recognize three key risk factors with an investment in Boston Properties. First is a downturn in the national real estate economy, similar to what was seen in 2008. The mitigators for this risk is that their properties are located in five of the safest cities in the country for real estate investment, and will hold most of their value during a recession, and continue to grow in other situations. Second, an oversupply in the local markets. The key factor protecting against this risk is building restrictions. All five cites have building restrictions that protect the value of the current real estate in place. Finally, there is a risk of tenants defaulting and no being able to pay their rent. The mitigator for this risk is that most of Boston Properties' tenants are strong and well-established companies in their own right, which limits the default risk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