Equity Lifestyle Properties Research

Description: A a self-administered, self-managed real estate investment trust (“REIT”) with headquarters in Chicago. As of October 22, 2018, they own or have an interest in 411 quality properties in 32 states and British Columbia consisting of 153,847 sites.

Ticker: ELS

Price: $97.42

Market Cap: $8.7B

Performance: +11.3% YTD

Analysis: Ok, this is not your typical real estate investment trust (REIT). Let’s break down why:

ELS has:

- More than 90 properties with lake, river or ocean frontage
- More than 100 properties within 10 miles of coastal United States
- Property locations are strongly correlated with population migration
- Property locations in retirement and vacation destinations

Let’s break this down even more:

- 208 manufactured/resort home communities equating to 74,100 sites
- 192 RV resorts equating to 77,400 sites

Yes, you read that right. ELS is big on RV locations! We thought this was pretty interesting so we decided to dive into the RV market and where better to look than Winnebago. In their most recent report they recorded:

- Full Year Revenues Exceeded $2B for First Time, an Increase of 30% on Strong Towables Segment Growth
- Record Full Year Diluted EPS of $3.22, Up 39% as Full Year Margins Climb 50 Basis Points to 14.9%
- Quarterly Revenues Increased 18% to $536M

The market is also set to witness a CAGR of 7.02% during 2018-2023. Get this and we would have never of thought… As of 2016, over 8.5% of U.S. households own RVs.

So ELS is playing this space very well. Also, given the fact that most resort style communities and RV owners are much older they also have a much more stable stream of wealth through their pensions and what not. Their residents on average are between the ages of 55 and 59. The population of people age 55 and older in the U.S. is expected to grow 22% from 2018 to 2033 with roughly 10,000 Baby Boomers turning 65 every day through 2030. The flipside of this is that in turbulent market times, these RVs and vacation style homes (moreso the RVs) can be liquidated to pay bills.

We will note though that we do find their exposure to storms as pretty high as well. As stated above, over 100 of their properties (roughly 25%) are within 10 miles of a U.S. coast and they own a lot of property in California and Florida.

Performance wise, ESL has been outperforming the residential ETF (REZ) very well:

ESL vs. REZ

3 mo: 2.5% vs 0.6%

6 mo: 14% vs. 16%

YTD: 11.3% vs. 8.1%

1 yr: 11.8% vs. 5.9%

3 yr: 73% vs. 24.5%

5 yr: 204% vs. 68%

Overall, this would be a pretty nice addition to a portfolio. It provides diversification from a real estate perspective but within that sector it also provides additional diversification through its unique holdings. It would be cool to couple an REIT like this one that is catered towards millennial concentrated areas to have a nice full blend. If you're getting exposure to REITs we would just advice that this isn't the only vehicle because it is a pretty specific type of REIT prone to certain risks that you may want to balance out.