

## Boston Properties

4Q23: broadly in line with expectations;  
introduced 2024 guidance

Maintain Rating: BUY | PO: 75.00 USD | Price: 70.00 USD

## 4Q23 results &amp; 2024 guidance broadly in line with Street

4Q23 FFO/sh of \$1.82 beat the Street by +1c, driven by higher interest income and development and management services income. BXP introduced 2024 guidance range of \$7.00-7.20 vs. the Street's \$7.20 and our \$7.16. We view guidance as conservative given BXP's track record of exceeding initial operating targets set at the beginning of each year. We maintain our Buy rating given BXP's high quality portfolio, development platform, management team and strong balance sheet with ample liquidity to fund growth.

## Exceeded 2023 leasing targets; expecting a similar 2024

4Q23 leasing activity totaled 1.5 million SF, bringing FY23 to 4.2 million SF which is well above BXP's initial targets. Leasing spreads during the quarter were flat overall, driven by strong performance in Boston which offset negative spreads throughout the rest of the portfolio. Elevated 4Q23 activity included early renewals for later years with the largest being Snap Inc's 467,000 SF renewal through 2036. BXP expects similar levels of overall activity in 2024 as 2023 with a pickup in 2H24 and a greater focus on addressing 2024 expirations given these currently account for 6% of the portfolio's total SF. Occupancy guidance of 87.2%-88.6% implies a -50bp decline in 2024.

## Executing accretive investments within portfolio

BXP executed several transactions during the quarter including 1) Sold 45% interest in 290 and 300 Binney Street at \$2,050/SF, valuing the two buildings totaling 810,000 SF at \$1.7bn. 2) Acquired its JV's 45% stake in Santa Monica Business Park for \$38mn, assuming \$300mn mortgage debt and \$20mn cash. 3) Acquired its JV's 29% stake in 360 Park Ave South for \$1, assuming \$220mn mortgage debt and \$25mn cash. 4) Subsequent to quarter end, BXP acquired its JV's 50% stake in 901 New York Avenue for \$10mn, assuming \$207mn mortgage debt.

## Demonstrating balance sheet strength and flexibility

BXP closed on a \$600mn, five-year mortgage swapped to 6% and will use proceeds to repay \$700mn senior unsecured notes due 2/1/24. Additionally, BXP modified the \$207mn loan from 901 New York Avenue to include five total years of extensions beyond its original January 2025 maturity date.

## What to look for on tomorrow's call

BXP's earnings call is at 10AM ET. We look for the latest on its leasing pipeline, January activity, JV acquisitions & dispositions, debt refinancing & assumptions within guidance.

30 January 2024

## Equity

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## Stock Data

Price	70.00 USD
Price Objective	75.00 USD
Date Established	8-Jan-2024
Investment Opinion	B-1-7
52-Week Range	46.18 USD - 79.42 USD
Mkt Val (mn) / Shares Out (mn)	12,286 USD / 175.5
Free Float	91.3%
Average Daily Value (mn)	98.85 USD
BofA Ticker / Exchange	BXP / NYS
Bloomberg / Reuters	BXP US / BXP.N
ROE (2023E)	9.1%
Net Dbt to Eqty (Dec-2022A)	161.3%
ESGMeter™	High

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## Key Terms:

FFO: funds from operations

JV: joint venture

SF: square feet

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**Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.**

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Timestamp: 30 January 2024 09:01PM EST

## Price objective basis & risk

### **Boston Properties (BXP)**

Our price objective for BXP of \$75 is -5% discount to our forward 12-month NAV estimate. We apply a 6.9% cap rate to our forward 12-month NOI estimate of \$2.03B to calculate our NAV. We apply this cap rate based on our view of private market transaction comps in BXP's markets. Risks to our price objective are development leasing, operating conditions in BXP's office markets and development yields below our expectations. Further, a prolonged period of tight credit market conditions could weigh on access to capital, borrowing costs, and direct real estate values.

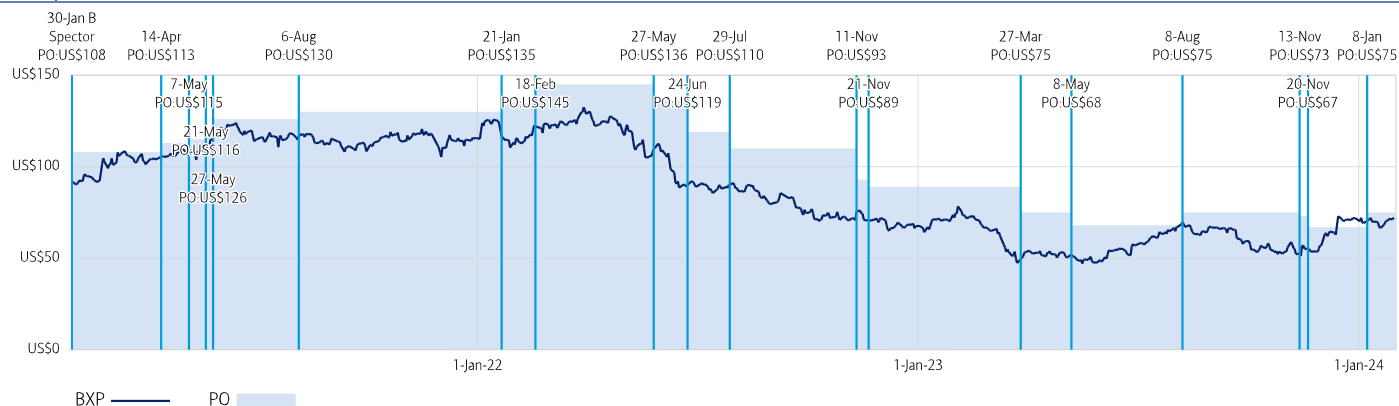
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### Boston Properties (BXP) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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