



## Boardwalk REIT and 3 Peers to Consider

### Description

Canada's booming real estate market took a breather in the first quarter of 2013, tempering appreciation for some real estate investment trusts (REITs) as fears of rising interest rates cooled the market.

After reaching all-time highs in July 2012 and again in February 2013, several Canadian REITs have fallen 4% to 8% from their peaks.

Investors are potentially worried about a slowdown in the Canadian real estate market should interest rates suddenly move higher in the short term. Higher rates would likely curb expansion and reduce returns for investors. This fear has potentially been reflected in the sluggish performance of some REITs — presenting a possible entry point for investors who appreciate steady dividend income.

Here are year-to-date returns (excluding dividends) through May 22, along with a brief snapshot of their operations:

- +1.0% gain for **Boardwalk Real Estate Investment Trust** ([TSX: BEI.UN](#)). Boardwalk is Canada's dominant apartment landlord. It owns and operates more than 225 properties with 35,277 residential units, totaling approximately 30 million rentable square feet located in Alberta, Saskatchewan, Ontario, Quebec, and British Columbia.
- +2.5% for **Allied Properties Real Estate Investment Trust** ([TSX: AP.UN](#)). Allied owns, manages and develops urban office environments for business tenants operating in Canada's major cities. Allied owns more than 9.2 million square feet of leasable space in cities like Quebec City, Toronto, Montreal, Winnipeg, and Vancouver.
- +0.9% for **NorthWest Healthcare Properties Real Estate Investment Trust** ([TSX: NWH.UN](#)). Northwest Healthcare Properties is Canada's leader in owning and managing medical and health-care office buildings. The REIT now has 76 properties that comprise about 4.6 million square feet of leasable space in British Columbia, Alberta, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia.
- +4.8% for **Artis Real Estate Investment Trust** ([TSX: AX.UN](#)). Artis is a diversified Canadian real estate investment trust investing in office, industrial and retail properties, with a major focus on

Western Canada. Artis' commercial property comprises nearly 23.9 million square feet of leasable area in 224 properties. The portfolio is located 7.7% in British Columbia, 25.7% in Alberta, 5.4% in Saskatchewan, 15.8% in Manitoba, 16.1% in Ontario, and 29.3% in the U.S.

Of the four, Boardwalk currently has the highest occupancy rate at 98.4% as of the first quarter of 2013. Occupancy was 95.8% for Artis, 92.8% for Allied Properties, and 91.3% for Northwest Healthcare Properties.

## Measuring payout ratios

One of the most important things to inspect when you're looking at a REIT is the payout ratio. Ask yourself, if there is a downturn in the economy or sharply higher interest rates, is there room to sustain the dividend if funds from operations decline?

Of the four REITS examined for this article, Boardwalk has the lowest Adjusted Funds From Operations (AFFO) Payout Ratio of 73.2%.

REIT	AFFO Payout	Dividend Yield
Boardwalk	73.2%	3.0%
Northwest Healthcare Properties	97.0%	6.4%
Allied Properties	92.9%	4.0%
Artis	81.8%	6.5%

One other quantitative point to make: Allied Properties has the lowest level of debt compared to the market value of its properties — 34%. That figure compares to Northwest Healthcare's 51%, Artis' 50%, and Boardwalk's 40%.

## Positive outlook

Cushman & Wakefield, a global real estate firm, predicts the Canadian real estate market may pick up speed later this year due to sustained low interest rates, the U.S. economic recovery, a stabilized Eurozone and a slow drop in value of the Canadian dollar, which will help revitalize manufacturing and export growth.

## The Foolish Bottom Line

It's worth considering all four of the REITs highlighted here, although I like Boardwalk best for its superior occupancy rate, manageable debt levels, and low payout ratio.

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*The original version of this post was created by Fool contributor Michael Hooper.*

*Fool contributor Michael Hooper does not own shares of any of the companies mentioned at this time. The Motley Fool has no positions in the stocks mentioned above.*

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:AX.UN (Artis Real Estate Investment Trust)
3. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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