



Looking for Reliable Residential Real Estate Income?

Description

For my portfolio of income stocks, I'm looking for reliable income that will help me pay my bills or build my retirement portfolio. I believe the residential real estate space provides reliable income. After all, everyone needs a roof over their heads.

If you don't have enough to invest in a residential property to receive rental income from, don't sweat it. There's an easier way. You can invest in residential real estate income trusts.

Northern Property REIT

Northern Property REIT (TSX:NPR.UN) owns and operates housing properties, such as rental apartments, and town homes in the natural resource markets of Canada. It also has a portfolio of commercial properties with the majority involved in government or corporate covenants and longer-term leases.

In the past decade, its funds from operations (FFO) per unit grew an average of 5-8% per year. This growth allowed the REIT to increase its distribution eight times in the last 13 years.

In its January investor presentation, even the company agreed that its units were on sale. In fact, in 2014 the REIT repurchased 226,500 units at an average price of \$27 per unit. Further, in the same presentation, it stated that it intends to purchase more units (up to 3,095,587 units) in a 12-month period.

The REIT has experienced a drop of over 16% from its 52-week high of \$30. It currently costs around \$25 per unit, and it pays a handsome 6.5% yield, making it sustainable with a payout ratio of 67%.

Boardwalk REIT

Boardwalk REIT ([TSX:BEI.UN](#)) specializes in acquiring and managing multi-family residential projects in four provinces. Fully 65% of its net operating income comes from resource-rich Alberta, which is part of the reason why it has dropped 15% from its 52-week high of \$71 to its current price of \$60, yielding 3.4%. With a payout ratio around 60% that's historically low for the REIT; therefore, its distribution is

likely to grow.

Management equity ownership is approximately 25%, so management is inclined to ensure the success of the REIT. Even when its number of apartment units has remained constant since 2007, organic growth of rent increases still allowed for FFO per unit to grow from \$2.50 FFO per unit in 2007 to the anticipated \$3.50 per unit in 2015. This indicates that Boardwalk has some pricing power.

Since 2010, Boardwalk REIT has sold some non-core properties, which allowed for two special distributions on top of its regular monthly distribution. Part of the released capital from the sales was also used to buy back its trust units for cancellation. This is also another contributing factor to the FFO per unit growth mentioned earlier.

Which residential REIT should you buy?

I believe Northern Property is the better-valued residential REIT, though Boardwalk REIT is viewed as a higher-quality REIT. I don't think investors looking for income in the residential REIT space can go wrong with either one in the long term. If you really can't choose, you can always go for a blended yield of roughly 5% by buying an equal dollar amount in both. And because REITs don't pay eligible dividends, buy their units in a TFSA or RRSP to avoid any tax hassle.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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