



## Boardwalk REIT: Act Now and Supercharge Your 2016 Dividends by 50%

### Description

This has been a year most **Boardwalk REIT** ([TSX:BEI.UN](https://www.scribd.com/document/348123456/TSX:BEI.UN)) shareholders would probably like to forget.

Shares of western Canada's largest owner of apartments have fallen more than 25% as investors remain concerned that weakness in Alberta's economy will end up affecting the company's bottom line. Approximately 60% of its apartments are located in the oil-rich province, and it has additional exposure to areas of B.C. and Saskatchewan, which depend largely on energy.

Probably part of the reason why Boardwalk shares have declined so much is because investors placed a premium on shares before all of this happened. When shares peaked at \$70 each, the company traded at approximately 20 times adjusted funds from operations (AFFO), which is a REIT's equivalent of earnings. That's an expensive multiple for a real estate company, especially one that hasn't really grown over the last few years.

There's a big reason why Boardwalk hasn't grown lately. It's in the somewhat unique position of competing against individual landlords. There are plenty of investors who own an apartment block or two. There aren't many who expand into commercial, retail, or industrial space. These investors have bid the price of apartments up to the point where Boardwalk's management balked at the puny returns offered.

Instead, the company invested in its units, making them nicer so it could raise rents and attract a higher quality tenant. It also paid down debt and took the opportunity to sell a few of its buildings at nice prices. The result is a REIT that has one of the lowest debt-to-asset ratios out there. Its balance sheet is pristine, which will allow it to cruise through this latest downturn in oil relatively unscathed.

### Results are still good

Thus far, Boardwalk's management is doing a nice job of steering the company through these tumultuous times. They've taken steps such as lowering rents slightly in Calgary, Fort McMurray, and other markets affected by oil's decline. Occupancy has remained at approximately 97%.

In its most recent quarter, AFFO was actually up compared with the same period last year. Boardwalk

earned \$0.83 per share in AFFO compared to \$0.82 last year. It's on pace to earn \$3.28 per share in AFFO, putting shares at just 14.5 times earnings. That's quite the discount compared to the valuation the company enjoyed just a few months ago.

Boardwalk is in a good position to expand on the cheap thanks to its prudence when times were good. It has several developments planned on land it already owns, which could potentially add up to 1,000 units over the next few years. Acquisitions are likely too as investors who bought at the top of the market get concerned about rising vacancy rates. Boardwalk can afford to take the long view. Other investors can't.

### **The dividend potential**

At first glance, it's easy to dismiss Boardwalk's dividend. It pays just a 4.3% yield, which is among the lowest in the REIT sector.

But there are a few things to really like about the yield. Firstly, the company has one of the lowest payout ratios in the sector, coming in at just 62% of projected AFFO. Most other REITs are between 80-90%, with a few of the high yielders creeping up to closer to 100%.

And investors can supercharge that dividend by nearly 50% if they buy shares before Christmas. Whenever Boardwalk sells some of its non-core assets, it pays the proceeds to shareholders as a special dividend at the end of the year. It did so at the end of 2014, paying a total dividend of \$1.57 per share. The regular dividend was \$0.17, and the special dividend was \$1.40.

This year's special dividend is set to be \$1 per share because of proceeds the company got from selling assets in Windsor. Management has already indicated the regular dividend of \$2.04 annualized is safe for 2016, meaning the \$1 special dividend increases the total income investors can expect from this stock by almost 50%.

A \$3.04 annual dividend works out to a pretty appealing yield of 6.4%. Add in the potential for capital appreciation that comes with that payout, and you get a pretty compelling investing opportunity.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)

### **Category**

1. Dividend Stocks
2. Investing

### **Date**

2025/07/08

### **Date Created**

2015/12/02

### **Author**

---

nelsonpsmith

default watermark

default watermark