



## Northview Apartment REIT Is Cheaper Than it Was in 2009

### Description

Originally called Northern Property REIT, which traded with the ticker TSX:NPR.UN, **Northview Apartment REIT** (TSX:NVU.UN) has fallen 41% from its high of \$29 in 2014 to \$17.

In fact, the real estate investment trust (REIT) is cheaper than it was in 2009 when the financial crisis occurred. In 2009 Northview traded as low as a multiple of 7.9, but it now trades at a multiple of seven.

Its 9.5% yield is now one of the highest in its history. Is its yield safe? What has changed other than its name?

### More diversified

At the end of October Northview Apartment REIT completed its acquisitions of True North Apartment REIT and some multi-family real estate assets from Starlight Investments.

These acquisitions made Northview the third-largest multi-family REIT in Canada. They help the REIT to diversify away from resource provinces and into mainly Ontario, New Brunswick, and Nova Scotia, where it didn't own any properties before.

### Low commodity prices

One of the big reasons for Northview's price decline in the last year is the oil-price plummet. The oil price has fallen from over US\$100 in 2014 to US\$36.

For the third quarter that ended in September, Northview reported vacancy loss of 10%. With exposure to Alberta and other resource-based regions, higher vacancy levels will persist as long as commodity prices remain weak.

### Distribution

In 2009 Northview's annual payout was \$1.48 per unit. Its annual payout has increased 10% to \$1.63 per unit since then. Yet its funds from operations payout ratio has remained the same at about 70%.

The REIT is committed to maintaining its distributions. It has increased distributions eight times since 2002 and has never cut them. There's also a margin of safety for its distributions because of its conservative payout ratio. So, Northview should be able to maintain its 9.5% yield.

## Integration

In the near term, management is focused on integrating the newly acquired portfolios and creating value. Examples of value-creation initiatives include internalizing property management, continuing to execute high-end renovation and sub-metering programs, and increasing rents on tenant turnover.

After the integration, there should be more clarity on how the assets obtained from the transactions contribute to the business performance.

## Conclusion

Northview shares are likely to remain depressed as long as commodity prices stay low. However, at about \$17, the REIT looks cheap and yields 9.5%. So, it could be a good value and income play. Cautious investors should wait for improvements in commodity prices before buying.

REITs pay out distributions that are unlike dividends. Interested investors should consult their tax advisors to find out the most appropriate account to invest in.

## CATEGORY

1. Dividend Stocks
2. Investing

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