



## Become the Laziest Landlord Ever With Boardwalk REIT and Dream Global REIT

### Description

Laziness is an undervalued attribute.

We associate it with people who don't do their share of the work. In a professional setting, having a lazy team member just means the hard workers are stuck with more on their plate. Nobody wants that.

But in the world of investing, laziness is a great thing. Allow me to demonstrate why using an example of two hypothetical investors.

The first investor is a real go-getter. He spends a lot of time researching and reading about the market. He is constantly trading, moving money from one new idea to the next. And he's more than happy physically managing his own real estate. He's relatively successful, and he earns an annual return of 7.5% for his trouble.

The second investor is, admittedly, lazy. She focuses on buying great assets over the long term, investments she knows she doesn't have to watch closely. Instead of managing her own real estate, she decides the world of REITs is much more attractive. This way, she can accomplish the same sort of returns as our first hypothetical investor, but with a much lower level of effort.

Which investor would you rather be?

### Great lazy REITs

I used to be all about owning rental property. I liked the feeling of driving by and looking at the place I owned. I liked getting a physical rent cheque in my hands each month. And I especially liked the double-digit net returns.

But those returns aren't possible any longer, at least not in any market I know of. Investors are stuck taking cap rates of less than 5% in many areas of the country. These investors do it all—from screening tenants to fixing broken toilets—for what I view to be a pretty minuscule returns.

There's a better option. Many of Canada's REITs offer very attractive dividend yields, especially

compared to cap rates from physical real estate. These dividends—which sometimes even exceed 10%—are especially attractive on a post-tax basis, since a portion of these payouts are classified as a return on capital.

Take **Boardwalk REIT** ([TSX:BEI.UN](#)) as an example. The company is one of the largest owners of apartments in Canada, owning nearly 33,000 units. Some 60% of its property is located in Alberta, with 14% in Saskatchewan, 8% in Ontario, and 18% in Quebec.

Boardwalk's shares have gotten shelled over the last year as investors avoid everything with a large focus on Alberta. Shares are down more than 30%, even though the company is on pace to improve its funds from operations (FFO) in 2015 compared with 2014.

Management isn't predicting 2016 to be disastrous either. Earnings guidance for the upcoming year is between \$3.40 and \$3.60 per share in FFO. If we take the mid-point of that range, Boardwalk is only trading for 12 times forward FFO. A couple of years ago, when shares traded hands at \$70 each, the company enjoyed a valuation of 20 times FFO.

Boardwalk's yield is a little less than most REITs, coming in at 4.8%. But that's coupled with a payout ratio of just 61% of FFO and a balance sheet with a debt-to-assets ratio of just 38% net of cash, which is among the lowest in the sector. In short, even if Alberta stays weak for a while, Boardwalk's dividend isn't at risk.

Investors looking for a little more yield might want to check out **Dream Global REIT** (TSX:DRG.UN). Dream Global owns office towers in Germany with its holdings spanning 214 properties and 13.2 million square feet of leasable area.

The company is still quite focused on Deutsche Post as a top tenant; the company contributes approximately 25% of its gross rental income. But it continues to take steps towards diversifying its portfolio. Besides, there are certainly worse tenants.

Plus, Dream Global is quietly becoming more attractive as the Canadian dollar continues to weaken. The company collects revenue in euros and pays dividends in Canadian dollars. This trend has worked quite well for investors over the past year.

And finally, there's the dividend. As I write this, Dream Global yields just a hair under 10%, paying out \$0.0666 per unit each month. What could be better than getting double-digit returns without having to do much of anything?

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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