



Is Northview Apartment REIT Good for Monthly Income?

Description

Northview Apartment REIT (TSX:NVU.UN) is the third-largest multi-family real estate investment trust (REIT) on the Toronto Stock Exchange. It offers a safe, high yield that income investors should consider.

Portfolio

Northview's portfolio comprises of more than 24,000 residential suites in more than 60 markets across eight provinces and two territories. It also invests in other asset types.

Specifically, Northview earns 85% of its net operating income (NOI) from its residential assets, 12% from its commercial assets, and 3% from its executives and hotel assets. Northview maintains a portfolio occupancy higher than 90%.

It earns 22% of its NOI from resource regions (Alberta and northeastern British Columbia) and 78% from other regions. From its residential portfolio, it earns 25% of its NOI from Ontario, 18% from Nunavut, 11% from Northwest Territories, 9% from British Columbia, 8% from Newfoundland, 6% from Quebec, and 2% from New Brunswick, Nova Scotia, and Saskatchewan, respectively.

Is its distribution safe?

Northview has a strong distribution track record. It has never cut its distribution and has increased it eight times in 13 years. In the same period it decreased its payout ratio from over 90% to the 70% level.

At \$22.50 per unit, Northview yields almost 7.3%. Its first-quarter funds-from-operations payout ratio was less than 72%, which improved 6% from the same quarter in 2015. So, its monthly distribution is sustainable with a margin of safety.

Debt

Its interest coverage ratio was 3.27 times, and its debt-service coverage ratio was 1.83 times in the first quarter. These ratios remain strong and are among the best in its peer group. So, Northview should

have no problem meeting its debt obligations.

Northview's debt to gross book value of 59.8% is higher than normal due to its acquisition of True North Apartment REIT and a \$535 million multi-family portfolio in 2015.

That said, these acquisitions helped the REIT diversify away from resource-rich regions into provinces such as Ontario, Quebec, Nova Scotia, and New Brunswick. The diversification improves stability and reduces the impact of resource regions on its business performance.

Northview also has a clear strategy to reduce leverage over the next few years. Via value-creation initiatives and non-core asset sales, it aims to maintain its debt to gross book between 50% and 55%.

Conclusion

Even though Northview's unit price has risen 28% year to date, the units still trade slightly below book value (about 2%). Additionally, it maintains a conservative payout ratio that keeps its 7.3% distribution yield safe.

Investors looking for a high, safe yield should consider Northview for its diversified portfolio. A \$10,000 investment would generate an annual income of \$725, equating to monthly income of \$60 and change.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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