



Boardwalk REIT: Still a Great Investment

Description

Boardwalk REIT ([TSX:BEI.UN](https://www.tsx.com/quote/BEI.UN)) is one of the largest real estate investment trusts (REITs) in the country with nearly 33,000 apartments in its portfolio. Boardwalk's properties are primarily mid to large apartment complexes and residential centres focused in major urban areas. In terms of coverage, Boardwalk's locations are, for the most part, located in Alberta, but the company also has properties located in Ontario, Quebec, and Saskatchewan.

Boardwalk's exposure to the Albertan rental market has come into light recently, and many investors are wondering if the company is still a good investment.

The Alberta question and solution

One of the main concerns with Boardwalk in recent months is the company's exposure to Alberta. Alberta's economy has been significantly weakened over the past year as weak oil prices have forced companies in the oil-rich province to cut production and lay off workers.

Boardwalk's exposure to the Albertan rental market is seen as troubling to some investors. Nearly 60% of all Boardwalk properties are located in the province, and the rental market continues to show signs of weakness. As of June 30, vacancy rates for Boardwalk were at 3.3% nationally, representing an increase over the 2.6% noted last year. Looking solely at Alberta, that rate comes in a little higher at 3.5%.

To combat the weakened market and retain tenants, Boardwalk has offered tenants incentives and discounts. On average, Boardwalk has reduced rent by 5% when compared with the same month last year, and Boardwalk has spent \$7 million on a variety of tenant-focused incentives, which include rent discounts and renovations.

There's no denying that overall weakness in the Albertan economy has had an effect on Boardwalk's bottom line. Typically, Boardwalk's rents increase between 3% and 4% each year, whereas this year some rents are down by 5%.

There are two important points for investors to consider. First, as market conditions improve, rents will

start to rise again to prior levels. In other words, current investors should weather the storm for the moment. Second, while prices and the economy are in a weakened state, an opportunity exists for Boardwalk to expand at a significant discount, which is what the company is doing.

Next stop—growth

Boardwalk is committed to adding 1,000 new units to its portfolio before the end of the year. While this forecast is lower than the initial 1,200 units that were previously forecasted, it is certainly attainable.

To date, Boardwalk has acquired 750 units this year with nearly a third of those in the Calgary-based development called Auburn Landing. The community is a combination of one- and two-bedroom units that, in total, add over 200,000 square feet of space to Boardwalk's portfolio.

Over the long term, these acquisitions could prove to be a boon for the company, especially considering that interest rates are still historically low.

Is Boardwalk still a good investment?

Boardwalk remains, in my opinion a great investment option over the long term. Rental vacancies might be higher now, but the economy will improve, and those units will get filled. When they do, rates and revenues will start to rise.

Boardwalk also pays a monthly distribution in the amount of \$0.19 per month, or \$2.28 per share annually. This gives the stock a respectable 4.48% yield, which can add up significantly over a long term.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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