



Better Buy: Boardwalk REIT or Canadian Apartment Properties REIT?

Description

Both **Boardwalk REIT** ([TSX:BEI.UN](#)) and **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) are popular apartment REITs owned by many Canadian investors. They're great companies with histories of delivering steady income to shareholders.

Should investors prefer one over the other today? Let's take a closer look.

The skinny

Boardwalk owns more than 33,000 apartments spread out over some 200 different buildings, spanning more than 28 million square feet of gross leasable space. Approximately 60% of the trust's net operating income comes from Alberta — something investors haven't liked lately. Shares currently trade hands at \$47.42 — down about 33% versus 2014's highs — and the company's market cap is \$2.2 billion.

Canadian Apartment Properties REIT (CAPREIT) owns more than 41,000 apartment and townhouse units as well as 6,400 land lease sites in 31 different mobile home parks. It has 52% of properties located in Ontario with another 21% in Quebec. Shares currently trade at \$31.75 each, which is close to a 52-week and five-year high. The REIT's market cap is \$4.3 billion.

Balance sheets

One of the first things many REIT investors look at is the balance sheet. If a REIT has too much debt, it could mean an inability to borrow in the future, or even a dividend cut.

Both CAPREIT and Boardwalk have great balance sheets. Boardwalk has a debt-to-net-assets ratio of 42.6%, while CAPREIT has a debt-to-net-assets ratio of 44.6%. These are both lower than most peers.

Both companies are using their strong balance sheets to expand. Boardwalk is buying bargain properties in Calgary and Edmonton, while Canadian Apartment Properties has plans to build approximately 9,300 new apartment suites.

Valuation

Both are quality companies, but can investors buy them for a reasonable valuation?

Full-year 2016 numbers aren't out yet, but REITs are predictable enough that we can accurately guess 2016's earnings.

Let's start with CAPREIT. It's on pace to post \$1.78 per share in funds from operations (FFO), which many investors use as a substitute for REIT earnings. That puts shares at 17.8 times FFO, which is relatively expensive, at least compared to other REITs.

Boardwalk is somewhat cheaper. It's on pace to generate \$3.01 per share in funds from operations — a number that includes some one-time charges associated with the Fort McMurray wildfires. This puts shares at 15.8 times FFO.

Many investors argue Boardwalk should trade at a cheaper valuation than CAPREIT because of its Albertan exposure. This may be true, but investors should remember that there was a time people argued Boardwalk deserved a premium because the province was doing so well. When oil comes back, Alberta assets could once again demand a higher valuation.

Dividends

Both companies offer attractive payouts with a history of dividend growth behind them.

Let's start with Boardwalk. Shares currently pay investors 18.75 cents per month, which is good enough for a 4.8% yield. Management has hiked the dividend four times in the last five years in addition to paying special dividends at the end of 2014 and 2015. Boardwalk's payout ratio is 74% of FFO.

CAPREIT pays investors 10.41 cents per month for each share owned, which is a 3.9% yield. The dividend has also been hiked four times in the last five years. The payout ratio is slightly lower than Boardwalk's, coming in at 70%.

Boardwalk's dividend is the clear winner here. Investors are getting 23% more income today with barely any difference in the payout ratio.

The verdict

Both Boardwalk and Canadian Apartment Properties are fine REITs. You can't go wrong owning either one.

But if I were to choose one over the other, the winner would be Boardwalk. I like that investors aren't bullish on the stock right now as well as the lower valuation and better dividend. Management is doing the smart thing and buying assets in Alberta while they're cheap. The province's economy will come back, bringing Boardwalk shares along for the ride.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
2. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/19

Date Created

2017/02/07

Author

nelsonpsmith

default watermark

default watermark