Protect Your Hard-Earned TFSA Profits With This White-Hot "Landlord" Play

Description

There's a time for wealth building, and there's a time for wealth preservation. On Tuesday, my fellow Fool Joey Frenette suggested that investors who are overweight cyclical or growth names start thinking about more defensive plays.

Why? Because the overall market is becoming too risky not to.

It's tough to disagree with Joey's reasoning. You need to find dividend payers that dampen volatility. But ideally, you want to find companies that are also showing some operating momentum.

Well, I've come across a stock that fits that description nicely: residential REIT **Boardwalk REIT** (TSX:BEI.UN). The stock is tame, the business solid, and management reported solid results earlier this week.

Let's dig in.

Under the Boardwalk

First, a quick look at Boardwalk's Q2: funds from operations (FFO) — a key metric in the REIT industry — rose 11.1% to $0.60. That topped estimates by $0.02. Meanwhile, total rental revenue increased 2.7% to $108.4 million, also besting expectations.

Now, top-line growth of 2.7% doesn't sound like much. But remember, Fools: roughly 60% of Boardwalk's rental portfolio is in Alberta — a province that has been in a deep recession in recent years. This has obviously weighed on Boardwalk's financials and stock performance:

So, any growth at this point is great news, and suggests that the economic recovery is underway — for both Alberta and Boardwalk.

In fact, with Alberta's rental market now in balance, Boardwalk sees continued improvement in all of its major metrics for the rest of 2018. Management now expects full-year FFO of $2.20-$2.35, up from a prior forecast of $2.15-$2.35. It also sees stabilized net operating income growth of 3-7%, up from a previous view of 2-7%.

"Boardwalk has evolved through the downturn we experienced a year ago," said chairman and CEO Sam Kolias. "We are now positioned to offer a wider range of homes from affordability in our Living brand, enhanced value in our Communities brand, and luxury in our Lifestyle brand."

The bad news for value investors? Bay Street shares Boardwalk's enthusiasm — the stock is up roughly 10% since reporting. But here's why I think the shares still make sense for conservative investors: they remain reasonably priced, and they're the furthest thing from volatile.

Even after the recent rally, Boardwalk trades at a forward P/E of 12 and sports a decent dividend yield of 2.2%. Moreover, with a beta of just 0.3 — about two-thirds less volatile than the overall stock market — Boardwalk can serve as a stabilizing force in your TFSA portfolio.

The Foolish bottom line

Boardwalk isn't completely recession proof (very few investments are), but the apartment rental business is pretty darn close. After all, people will always need a place to live.

With Alberta's GDP growth, employment growth, and migration growth all projected to keep improving, Boardwalk stock still has plenty of room to run.

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