



## Which Residential REIT Should You Buy Today?

### Description

Residential real estate investment trusts (REITs) are generally a stable area to invest, because everyone needs a place to live. If you don't own a place, you must rent one.

Other than **Canadian Apartment Properties REIT** — the best in class in the [residential REIT](#) industry, but that is, in my opinion, [overvalued](#) — there are **Boardwalk REIT** ([TSX:BEI.UN](#)), **Killam Apartment REIT** ([TSX:KMP.UN](#)), and **Northview Apartment REIT** ([TSX:NVU.UN](#)) to choose from.

Let's explore the three ideas to see which is the best to buy today.

### Boardwalk

Boardwalk stock has seen a strong turnaround by appreciating about 14% after reporting its second-quarter results. Boardwalk's performance has markedly improved, as oil prices recovered to more healthy levels and have seemingly stabilized. The WTI oil price seems to be staying above the US\$60-per-barrel level compared to the US\$50-per-barrel level a year ago.

The health of the energy sector has a direct impact on Boardwalk, because of its primary exposure to Alberta. In Q2, Boardwalk's funds from operations (FFO) per unit increased by 11.1% compared to the same period a year ago. Boardwalk is recovering with same property rental revenue increasing 3.7%, same property net operating income (NOI) increasing 8.8%, and the operating margin improving to 54.5%.

At under \$52 per share as of writing, Boardwalk is pretty fully valued, trading at a multiple of about 23. If the energy sector continues to be stable, the stock should be able to perform in line with the sector.



### **Killam Apartment**

Killam Apartment has done a good job in expanding its portfolio over time. Investors don't have to worry about the cyclical energy sector for Killam, because Killam only generates about 2% of its NOI from Alberta. Instead, Killam concentrates its operations in Nova Scotia (about 43% of NOI), New Brunswick (about 21%), and Ontario (about 21%).

Killam has increased its FFO per unit and reduced its payout ratio over time. So, its distribution yield of about 4% is safe. However, at \$16.14 per share as of writing, Killam is trading at the high end of its valuation range. If the stock retreats to a more normalized multiple, roughly about \$14 per share, interested investors can consider averaging in around that area.

### **Northview Apartment**

Northview Apartment's core focus is in Ontario (about 29% of NOI), the northern part of Canada (about 29%), and the western part of Canada (about 24%).

It's important to highlight that Northview enjoys high occupancy (about 96%) and high rent from its northern assets, whose average market rent doubles that of its other areas of operation.

In Q2, Northview maintained an occupancy of 93.3%, and its FFO per unit remained stable by increasing 1.85%. It's positive to see its same-door NOI increase by 3.3%.

In the first half of the year, Northview's payout ratio was less than 79%. So, its distribution yield of about 6.2% is safe.

### **Investor takeaway**

If you want to invest in the residential REIT industry right now, your best option of the four mentioned stocks would be Northview, which trades at a relatively cheap multiple. It also offers the biggest yield with a sustainable distribution.

Canadian Apartment Properties REIT would be the best quality of the four, but the stock is way too expensive. Investors must be patient and wait for an event that will bring the stock's valuation down in order to invest in the first-class stock in a safe manner.

### **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
2. TSX:KMP.UN (Killam Apartment REIT)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
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