



The Smart Money Is Buying These 3 REITs: Should You Buy Too?

Description

Reviewing insider buying transactions might be the most powerful analysis tool most individual investors aren't currently using.

The logic goes something like this. There are a million reasons why a company insider might sell shares in their organization. The obvious answer is they may believe that shares are overpriced. They could be raising money to buy a house or to put a child through university. They might be making efforts to better diversify their portfolio. The list is endless.

But there's only one reason to buy stock, and that's because they think it's about to go much higher.

I therefore view insider buying as an important bullish signal, and you should too.

Insider buying isn't just management and board members buying stock, either. It also comes from the company buying back its own stock or a large investor adding to an already sizable position.

Here are three real estate companies that have recently seen some big insider buying.

American Hotel REIT

American Hotel Income Properties REIT ([TSX:HOT.UN](https://www.tsx.com/stocks/quotes/HOT.UN)) owns some 11,500 guestrooms spread out over 113 different hotels across 33 states. Since its 2013 IPO, the company has successfully pivoted from an economy lodging provider for rail workers to one that gets approximately 80% of its revenue from more premium locations.

Investors haven't been in love with the stock lately; shares are down 22% over the last three months and 25% thus far in 2018. Poor third quarter results hit the stock hard, and investors are generally worried about an economic slowdown in the United States.

Over the last 12 months, the stock posted US\$0.76 per unit in funds from operations. It pays approximately US\$0.65 per share in distributions, giving it a solid payout ratio of 84%. Despite this, shares yield an eye-popping 11.9%.

It's obvious insiders think the stock is a good buy today, especially new CEO Christopher O'Neill. In the month of November alone, O'Neill has purchased some 150,000 shares, with almost all of these purchases coming at prices higher than today's. In fact, O'Neill has opted to get paid 100% in equity. This is a massive bullish signal.

Artis

Artis Real Estate Investment Trust ([TSX:AX.UN](#)), a Winnipeg-based owner of office buildings, retail locations and a smattering of industrial property, recently did the unthinkable. After a couple of quarters of having an uncomfortably high payout ratio, it cut the dividend by 50%. The currently payout is \$0.54 per share each year, giving the stock a yield of 5.6%.

Much of the cash saved from this move is going toward buying back shares, and it's easy to see why management is doing such a thing. Artis shares currently trade hands at less than \$10 each, while book value is over \$15. Bearish investors say this discount is warranted because of Artis's large exposure to the Calgary office market, a location that's facing some significant challenges.

Bullish investors aren't worried, however, claiming that Calgary will recover. Besides, the rest of the portfolio is performing just fine.

In November alone, Artis has repurchased nearly 2 million shares. If it keeps up this pace, 13% of total outstanding shares will be repurchased over the next year.

Brookfield

Brookfield Property Partners LP ([TSX:BPY.UN](#))(NASDAQ:BPY) recently bought a big portfolio of shopping malls in the United States, a move largely booed by investors who believe the sector is on its way down. Brookfield's management disagrees, pointing out that they bought mostly good malls and that these locations have significant redevelopment potential.

Brookfield Asset Management, Brookfield Property's largest shareholder, believes that shares are [massively undervalued](#). Bruce Flatt and his team are putting their money behind this assertion by gobbling up huge amounts of Brookfield Property shares. Since October 1, the parent has increased its investment in the subsidiary by more than eight million shares.

The bottom line

If insider buying is a bullish signal — and numerous studies have proven it is — then investors should be very excited about these three real estate companies. The smart money is usually a pretty bullish indicator.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:HOT.UN (American Hotel Income Properties REIT LP)

PARTNER-FEEDS

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