



A Top REIT to Hold Until Retirement Regardless of Your Age

Description

Real estate investment trusts are the best way for most investors to get exposed to real estate. It's such an important sector that no investor can afford to go without having some exposure to it. In addition to its importance, the industry has also been a top performer the last decade.

Apartment real estate stocks are always my top choice, they give investors exposure to residential real estate, similar to owning a [rental property](#), but your investment is much less substantial, and you can liquidate it at any time.

One of the best residential real estate investments out there is **Northview Apartment REIT** (TSX:NVU.UN).

Northview is one of the largest real estate investment trusts in Canada. Its portfolio consists of over 27,000 residential units and 1.2 million square feet of commercial space. The company's assets are located across the country in 60 different markets, across eight provinces and two territories.

It's clear Northview has a well-diversified portfolio and a great management team. It's focusing on organic growth as well as acquisitions when the investment makes sense. The entire portfolio has been shaped to provide investors with stable returns and growing distributions.

Growth opportunities

Some of the company's organic growth is coming from its high-end renovation program. It's been renovating a number of older properties in its portfolio, which has already paid off. In the second quarter alone, the company completed renovation of more than 300 suites.

The return on these investments is substantial and continues to get better. The return on renovations made in 2016 was roughly 15%, which isn't bad.

Northview then managed to increase that to 23% for both 2017 and 2018. In the second quarter of 2019, it achieved a 25.4% return and estimates that it increased the average monthly rent of each unit

by more than \$315.

Its recent acquisitions have mainly been focused in Ontario, where the company knows its occupancy rates will remain stable and has the best chance to increase rents.

Another way the company is achieving growth is through its development pipeline. Since 2012, Northview has invested over \$300 million in developments creating more than 2,000 new units. So far in 2019, it has already commenced more than \$100 million worth of new developments.

Recent performance

These investments in growth have already been paying off. Since the second quarter of 2016, it's grown its net asset value (NAV) per unit by 29% and its total assets by 36%.

Much of Northview's increase in NAV is being driven by same-door net operating income (NOI) growth. More than a third of the amount that the NAV has grown the last three years has come from same-door NOI growth in just the last 12 months.

The same-door NOI growth is being predominantly seen in Ontario, where the average rate is 10% compared to the rest of the portfolio, which averages just 2.8% for the trailing 12 months.

Total company-wide occupancy was at 93.4% at the end of the second quarter. This isn't a terrible occupancy rate, but it could be better. At the moment, it's being weighed down by the company's portfolio in western Canada, that has an occupancy rate of just ~86%.

Attractive financials

[Northview](#) looks very attractive from a financial standpoint. Its trailing 12-month funds from operations (FFO) per unit is \$2.04. With a stock price at Wednesday's close of \$28.99, that gives it an FFO multiple of just 14 times.

The dividend, which pays about \$0.14 each month and \$1.63 annually, would yield you more than 5.6%, and the FFO payout ratio would be 80%, showing the stability of the dividend.

Looking at the balance sheet, the reduction in debt is immediately noticeable. In the last 12 quarters, Northview has reduced its debt to gross book value from 60.2% to 53.1%. It continues to reduce its debt ratios by strengthening the balance sheet.

The earnings and growth projects make Northview look quite attractive in today's real estate industry. Furthermore, it has strong management and stable financials — two necessities when looking for stocks to build wealth for decades.

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