



Why Northview Apartment REIT (TSX:NVU.U) Shot Up 12.25% Today

Description

Investors in **Northview Apartment REIT** (TSX:NVU.U) woke up to a pleasant surprise this morning. The real estate investment trust jumped 12.25% in value after an announced that private equity investors were set to acquire the trust and its assets for a significant premium.

Starlight Group Property Holdings Inc. and Kingsett Capital Inc. have bid \$36.25 per unit for the trust, an 11.5% premium to its market value at the close of trading yesterday. Northview's management team says the deal was offered in October last year and places the company's value at \$2.5 billion (\$4.8 billion with debt included).

Here's a look at why Northview was an ideal acquisition target and which other companies are well positioned for a similar takeover.

The deal

Calgary-based Northview is focused on multifamily residential properties spread across the country. According to the company's latest investor presentation, it manages 27,000 residential units, 344 executive suites, and 1.2 million square feet of commercial space that are collectively worth \$4 billion.

At the end of the third quarter of 2019, the trust's net asset value (NAV) per unit was \$30.87. Through acquisitions and renovations, the value of Northview's underlying assets have expanded by 36% over the past three years.

The offer price of \$36.25 is significantly higher than the company's reported NAV, which makes this a fair deal for retail investors. Starlight Group Property Holdings was already a major stakeholder in the company, making this a strategic purchase for the investment firm.

At the time of writing, Northview has accepted the offer and it seems likely that the deal will close later this year. If you own the stock, congratulations!

Future targets

Buyouts are my favourite type of corporate actions because they quickly unlock value in underappreciated stocks. Private investors need to offer a significant premium to persuade shareholders to vote for a deal and take a public company private, which is why I keep an eye out for potential acquisition targets.

I believe **Indigo Books** could be an [ideal acquisition target](#) given that its stock price is less than the value of its underlying assets and properties. **Badger Daylighting** could also be a potential target as it appears that the company received an offer in 2018 and is now trading at the same value.

My Fool colleague Ryan Vanzo believes he's found an asset on **Just Energy's** books that could be [worth three and a half times the entire company's market capitalization](#). If he's right, the energy company could be the next multi-billion dollar buyout deal.

Investors could add these potentially undervalued stocks to their watch list in hopes of a major deal that unlocks their value soon.

Bottom line

Northview Apartment REIT is being acquired by private equity investors for a price that's significantly higher than its market value but closely aligned to its net asset value.

Investors should keep an eye out for other stocks trading at less than book value per share or with hidden underlying assets for potential windfalls triggered by similar buyouts.

Deep value stocks tend to have lower downside risks, so adding some exposure isn't such a bad idea.

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