



Boardwalk REIT (TSX:BEI.UN): How to Buy Apartments at 60% Off

Description

Many investors dream of owning a portfolio of apartments. Owning **Boardwalk REIT** ([TSX:BEI.UN](#)) shares might be the easiest way to do it.

Think about all the work that goes into owning even a small apartment block. You have to shovel the snow and keep the grass cut. Tenants are always breaking stuff, and preventative maintenance is a must.

Potential renters must be vetted and existing ones need to be managed, especially if their life situation changes. And then there's all the bookkeeping and accounting challenges of owning physical property.

The best part? Landlords are doing all that for about a 4% cap rate today. Yes, you can goose your total return by using debt, but that adds a layer of risk.

But there's a better way. The recent market sell-off has created an opportunity to buy shares of one of Canada's largest apartment owners for a [ridiculously good price](#). Here's why Boardwalk REIT is so compelling today.

The opportunity

Boardwalk REIT owns more than 32,000 apartments across Canada, although about 60% of its portfolio is located in Alberta. The company also owns assets in Saskatchewan, Ontario, and Quebec.

This emphasis on Alberta has been a challenge over the last five years, although the company has posted better results lately. It has managed to post year-over-year increases in funds from operations (FFO) each quarter for the last seven quarters, although that streak will come to an end as COVID-19's impact on the economy affects the company's ability to collect rent. Some 25-40% of its tenants could easily request temporarily rent relief.

The Alberta emphasis isn't as bad as some might assume, either. Boardwalk REIT has 20,499 units in Alberta, with a hair over 12,000 located in Edmonton.

Alberta's capital isn't so dependent on oil, and strong government employment means it should get through today's tough times a little better.

Still, management realizes the Alberta-centric portfolio is a problem, and has instituted a long-term plan to diversify into other parts of the country. Boardwalk has already entered into partnerships with other real estate companies to develop property in the Toronto area. Look for more of these deals in many locations in the next decade.

Insider ownership

Brothers Sam and Van Kolas own approximately 25% of the company, and both have key roles. Sam is the CEO, while Van is the vice-president in charge of quality control. Both men are consistently ranked in the top 100 richest Canadians.

It gets even better for Boardwalk REIT shareholders. Despite doing an admirable job leading the company over the years, neither Kolas brother takes a salary. That's right; Boardwalk shareholders get the benefit of two top managers who strictly live off their dividends.

This should also bode well for the security of the payout, a yield that currently checks in around 4%.

The opportunity

Buying Boardwalk REIT shares today is the equivalent of buying your own apartment block for 60% off.

No, that's not a typo. You're reading that right.

Here's the logic behind that statement. Boardwalk has a current book value of just over \$63 per share, which reflects a value of approximately \$180,000 per apartment. While some argue that value is too aggressive, management has stuck with that number for years now.

Shares currently trade at \$26 each, which is approximately 40% of book value, which translates into an implied value of just over \$77,000 per apartment.

This valuation confirms it. There's no way Boardwalk could replace its current portfolio for \$77,000 per unit. I doubt it could do so at \$150,000 per unit. After all, each apartment rents for an average of just under \$1,200 per month and recent occupancy is around 96%.

The bottom line on Boardwalk REIT

Owning your own apartment building is a worthwhile goal. But the [far better choice](#) is to purchase shares of a beaten-up apartment operator, like Boardwalk REIT, and take the lazy way out.

Combine this truly passive investment with a fantastic valuation and we have one of the most

compelling buying opportunities on the **Toronto Stock Exchange** today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/17

Date Created

2020/04/10

Author

nelsonpsmith

default watermark

default watermark