



Check Out Tricon Capital Group Inc. for Exposure to the U.S. Real Estate Market

Description

Tricon Capital Group Inc.'s ([TSX:TCN](#)) objectives are to earn fee income through its Private Funds and Advisory business and to invest for investment income and capital appreciation through its Principal Investment business segment.

The company's business activities are focused on four related business verticals within the North American real estate industry: Tricon Housing Partners (land and home building), Tricon American Homes (single-family rentals), Tricon Lifestyle Communities (manufactured housing communities), and Tricon Luxury Residences.

Good track record

Tricon has an excellent track record of growing the business and taking advantage of the opportunities in the U.S. real estate market, as evidenced by the way management took advantage of the 2008 housing crisis by buying at distressed levels.

In its Tricon American Homes vertical, the single-family homes that have been purchased to date have largely been completed at distressed values through foreclosure sales. Once acquired, the company invests in home renovations before renting to tenants.

Focused on the U.S.

Experts agree that the U.S. housing market is still in the early stages of a recovery; housing starts are up 12% in the first nine months of 2015. Housing starts are still significantly below the long-term average.

Tricon has been focused on the higher-growth regions in the U.S., the "Sun Belt," which includes southern California, Texas, Alabama, Georgia, and Florida. This region has been seeing faster employment growth and faster population growth than the national average, and this is expected to continue.

The company's investments on its balance sheet are almost exclusively in the U.S. residential real

estate market.

Opportunities aplenty

Growth is strong and management sees more opportunities ahead in all its verticals. In the latest quarter, AUM increased 24% year over year to \$2.5 billion and adjusted EBITDA increased 34% to \$84.5 million.

Earlier this year, Tricon acquired a 1,400 U.S. single-family-rental portfolio, bringing the portfolio to 6,400. In the latest quarter Tricon acquired another 314 homes, bringing the new total to 6,800. Homes have a 12% rental revenue yield. The company expects to continue to make 400-500 new home acquisitions per quarter.

Tricon is expanding into different verticals in order to expand its reach in the real estate market, as it continues to see strong growth ahead of it. Accordingly, Tricon completed a bought deal share offering in August at \$11.40 per share, giving the company proceeds of \$150 million to expand into its new "Tricon Luxury Residence" vertical, which will be the company's fourth major business line.

In summary, Tricon investors get an experienced management team that has been and should continue to benefit from the slow and steady recovery in the U.S. real estate market.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TCN (Tricon Residential Inc.)

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