



Make a Killing With Killam Apartment REIT

Description

Killam Apartment REIT ([TSX:KMP.UN](https://www.killamreit.com)) is a very solid holding for income investors that may be looking to increase the average yields of their portfolios. The dividend currently yields a bountiful 4.75% and is expected to grow by leaps and bounds over the long term.

Killam is a residential REIT that owns, develops, and manages apartments mostly in Atlantic Canada. Killam owns over \$1.9 billion worth of high-quality assets, and the fundamentals of the company are quite strong. A majority of the earnings come from Nova Scotia and New Brunswick, which account for approximately 43% and 22% of the company's net operating income, respectively.

The management team is top notch and is focused on cutting costs to improve the company's operational efficiency in the long run. The property development pipeline is also full of great projects that will allow the company to boost its free cash flow by a steady amount over the next few years. There are currently \$59 million in development projects until 2018. A part of the free cash flow generated from these new projects will go into the development of even more projects, but a majority of it will go right into the pockets of shareholders in the form of an increased dividend.

The stock currently trades at a 12.4 price-to-earnings multiple, which is much lower than the company's five-year historical average multiple of 16.5. The price-to-book, price-to-sales, and price-to-cash flow multiples are all in line with the company's five-year historical multiples of 1.1, 4.8, and 15.3, respectively. The stock is slightly undervalued, and I believe long-term income investors looking for some real estate exposure will do very well with Killam at the core of their portfolios.

The management team is focused on growing the dividend, and I believe the company is a less-risky play than some of the other Canadian REITs that have a considerable amount of exposure to the Vancouver's and Toronto's housing markets, which many pundits believe are in bubble territory.

We're going to be entering a rising interest rate environment, and this could hurt the profitability of REITs over the next few years. Does this mean you should avoid REITs completely? Of course not! REITs offer a stream of steady income to income investors and retirees. REITs are considered to be a reliable, safe, and boring sector that retirees can go to for a consistent flow of income.

I think Killam will continue to do well in the long run thanks to a terrific management team that's been making accretive acquisitions, a great portfolio of assets, and a promising pipeline of projects. If you're a retiree looking to give yourself a raise, then buy Killam now and on any further dips the stock may experience later in the year.

Stay smart. Stay hungry. Stay Foolish.

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1. TSX:KMP.UN (Killam Apartment REIT)

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