



Beef Up Your Income With Killam Apartment REIT

Description

Killam Apartment REIT ([TSX:KMP.UN](https://www.killamreit.com)) is a solid residential REIT with terrific growth prospects. The company owns \$1.9 billion worth of assets, with a majority of its earnings coming from the Atlantic coast. The management team is focused on improving operational efficiency while growing organically and through acquisitions.

Killam currently offers a distribution yield of 4.75%, which may not seem like whole lot for a REIT. However, I think the company is very well positioned to grow this distribution by a huge amount over the next few years thanks to the company's promising growth initiatives and its pipeline full of projects that are expected to boost long-term free cash flow.

The company currently has \$59 million worth of development projects until 2018. These developments are expected to produce over 1,200 additional units, which should provide a stable long-term stream of cash flow. Residential properties are incredibly stable, and there's no doubt that the cash generated from the new stream will finance new growth initiatives, with a portion being returned to the pockets of shareholders in the form of an upped distribution.

Killam currently has around 13,882 apartment units with 5,165 manufactured home community units as of Q4 2016. This is indeed, a solid portfolio of income generating assets, and it's expected to beef up through new developments as well as acquisitions over the next few years. Killam is looking to diversify away from the Atlantic coast by acquiring assets located in Ontario and Alberta. I'm not a huge fan of Albertan assets right now, but there may be value opportunities in that market, and you can bet that the management team at Killam will make a deal if the price is right.

Residential units are quite stable, and investors can sleep comfortably at night knowing that their distribution is likely to remain intact in the event of a mild market correction, which may be in the cards over the next year. Many pundits believe stocks are overvalued, and there have been a number of events like occurring lately, which be a potential trigger for a market sell-off.

Sure, REITs have gone out of favour thanks to the trend of rising interest rates, but I still think high-quality REITs like Killam are still terrific holdings for income investors over the long-term. The stock

currently trades at a 13 price-to-earnings with a 1.3 price-to-book, which is not a bad deal considering Killam has promising growth prospects with a solid management team that's determined to improve operational efficiency.

I don't know about you, but I smell a distribution-growth king in the works.

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