



Income Investors: Canadian Apartment Properties REIT Is a Distribution-Growth King in the Making

Description

Canadian Apartment Properties REIT ([TSX:CAR.UN](https://www.carp.un.ca/)) is one of the highest-quality REITs out there. Many income investors may be overlooking this solid REIT because of the 3.8% yield, which is considerably lower than many of its peers.

It's worth noting that Canadian Apartment Properties stock has appreciated by a great deal over the last few years, much more than your average REIT, so if you want stable income in addition to capital appreciation, then Canadian Apartment Properties is definitely worth putting on your radar.

Canadian Apartment Properties owns apartments, townhouses, and land-lease communities in locations around Canada. Of the REIT's properties, approximately 50% are located in Ontario and approximately 23% are located in Quebec. Ontario and Quebec are two solid provinces that are expected to see decent economic growth in the years going forward. Only 6% of the REIT's properties are located in Alberta –a good sign if you're not a fan of Canada's struggling energy sector.

Many millennials have been opting to rent rather than take on mortgages for properties that are probably worth less than what they're selling for. There's no question that the Canadian real estate market is overheated, and for many, renting is simply the only realistic way to live in Canada.

Apartment REITs like Canadian Apartment Properties are expected to remain stable for the long haul. If you're a cautious income investor, you can sleep peacefully at night knowing that your distribution will be safe, even if the markets decided to crash tomorrow. The distribution was left intact during the Financial Crisis, but further increases weren't made until many years after.

The management team is shareholder friendly, and you can count on them to grow the distribution as the REIT's cash flow increases through growth initiatives. The REIT has grown its distribution for six consecutive years, and I believe the trend is going to continue for years down the road. Although the raises are only in the 2.5% range, they may pick up in magnitude depending on how fast the REIT is adding new units to its already solid portfolio of assets.

Valuation

Canadian Apartment Properties trades at a substantial premium over its peers because of the stable, growing distribution. I would recommend adding this REIT to your radar and buying on any dips that may happen in the months ahead. If the distribution goes above 4%, then you should probably think about loading up.

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