



This Residential Real Estate Stock Jumped 7% on Thursday

Description

In late September, when **Tricon Capital Group Inc.** ([TSX:TCN](#)) was about \$10 per share, I said that the real estate company had [surefire growth on the way](#).

It didn't take long to see the growth. The company came out with record earnings results for the third quarter, and the stock reacted by appreciating 7% on Thursday.

Tricon Capital Group's diluted earnings per share increased 71% year over year to US\$0.29. The strong quarter was "driven by the first full quarter inclusion of the Silver Bay portfolio and solid operational results throughout our business," said Gary Berman, president and chief executive officer of Tricon Capital Group.

The business

Tricon Capital Group was founded in 1988, but it only became publicly available in 2010. The company is a principal investor and asset manager, which is focused on the residential real estate industry in North America.

Tricon Capital Group has about \$5.8 billion of assets under management with about 90% of its assets in the United States across 10 states and the rest in Canada.



The company is involved in land development and homebuilding or master-planned communities (31% of assets under management), single-family rentals (59%), multi-family rentals (7%), as well as manufactured housing communities (3%).

About 73% of its assets under management are the company's principal investments and co-investments funded with its balance sheet, which means about 27% of the assets under management are from third-party investors, such as retail investors.

So, by investing in Tricon Capital Group, investors would be essentially investing with the management, whose interests are well aligned with those of the shareholders.

Should you buy Tricon Capital Group today?

To get good returns, investors should aim to buy good companies when they're fairly valued or, better yet, when they're undervalued. One way to determine if a company is undervalued or not is to look at the consensus estimate and compare it to the current price.

Because most of its assets are in the U.S., Tricon Capital Group reports in U.S. dollars. So, analysts also have their target prices for the company in U.S. dollars.

The Street consensus from **Thomson Reuters** has a 12-month target of US\$10.90 per share on the stock. Based on the recent foreign exchange of US\$1 to ~CAD\$1.26, the target price in the Canadian currency is ~\$13.73 in the near term. This represents ~18% upside potential from Thursday's market close price of \$11.57. In other words, there's a discount of nearly 16%.

So, Tricon Capital Group is reasonably priced today and has reasonable upside potential in the next 12 months. It also offers a safe yield of ~2.2% that will add to returns.

Investor takeaway

If you're looking for [real estate exposure](#) for your portfolio, Tricon Capital Group is a relatively high-growth candidate which is reasonably priced and should give double-digit returns in the near term under a normal market environment.

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2. Investing

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