



## This Residential Real Estate Stock Is a Good Value

### Description

**Tricon Capital Group Inc.** ([TSX:TCN](#)) is focused on selective U.S. markets in the residential real estate space, which is a good addition to a diversified portfolio. The company has been generating good returns on assets (ROA) and returns on equity (ROE) of at least 5.7% and 8.4%, respectively, every year since 2013.

Its trailing 12-month ROA and ROE are 11.7% and 18.5%, which are higher than the five-year averages. So, it may be a good time to consider Tricon Capital Group today. Here's an overview of the business.



### The business

Tricon Capital Group was founded in 1988, and it started trading on the Toronto Stock Exchange in 2010. The company is a principal investor and asset manager focused on the residential [real estate](#) industry in North America.

Tricon Capital Group has about \$6.1 billion of assets under management with about 91% of its assets in the United States across 10 states and the rest in Canada.

The company is involved in land development and home-building or master-planned communities (29% of assets under management), single-family rentals (60%), multi-family rentals (8%), as well as

manufactured housing communities (3%).

About 75% of its assets under management are the company's principal investments and co-investments funded with its balance sheet, which means about 25% 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.

### Is Tricon Capital Group a good buy today?

To get good returns, investors should aim to buy good companies when they're fairly valued or, even 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 Corp.** has a 12-month target of US\$10.20 per share on the stock. Based on the recent foreign exchange of US\$1 to about CAD\$1.29, the near-term target price in the Canadian currency is about \$14. This represents roughly 28% upside potential from Monday's market close price of \$10.93. In other words, there's a discount of about 22%.

So, Tricon Capital Group is a [good value](#) today and has nice upside potential in the next 12 months. It also offers a safe yield of about 2.5% that will add to returns.

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1. Editor's Choice

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### Date

2025/08/20

### Date Created

2018/06/05

### Author

kayng

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