



## Check Out Tricon Capital Group (TSX:TCN) for Exposure to the Booming U.S. Rental Market

### Description

**Tricon Capital Group** ([TSX: TCN](#)) provides investors with exposure to the U.S. [real estate](#) market through four different verticals: Tricon Housing Partners (Land and Homebuilding), Tricon American Homes (Single-Family Rental), Tricon Lifestyle Communities (Manufactured Housing Communities), and Tricon Luxury Residences.

With these verticals, we can see that this real estate exposure is a diversified exposure, effectively offering investors a well-rounded play on the U.S. real estate market, which has been generating strong returns as it has been recovering from 2008-09 lows.

The reasons to own this stock at this point are pretty much based on the company's emerging rental homes portfolio and the strength they are seeing there, as well as its [dividend](#) yield of 2.6%, and management's strong track record of creating value.

The rental homes segment accounts for 87% of Tricon's adjusted EBITDA, and in the third quarter of 2018, adjusted EBITDA from this vertical increased 9% to \$73.7 million, with a net operating income margin of 60.9%.

And although October U.S. housing starts declined over 5% in October, the investment thesis on Tricon remains strong, as the flip side to that is increasing rental demand and income.

Tricon has an excellent track record of growing the business and taking advantage of the opportunities in the U.S. real estate market, as evidenced by the way management took advantage of the 2008 housing crisis by buying at distressed levels.

In its Tricon American Homes vertical, a big percentage of the single-family homes that have been purchased have been completed at distressed values through foreclosure sales. Once acquired, the company invests in home renovations before renting to tenants.

Tricon continues to expand its portfolio of rental homes. In an attempt to position itself to continue to benefit from the booming U.S. rental market, where rental prices are soaring as much as 10%-15% in

some market, the company completed the acquisition of 810 homes in the quarter.

Additionally, Tricon has been expending into various verticals in order to expand its reach in the real estate market. The most recent vertical that the company entered was the luxury residence segment, "Tricon Luxury Residence," which is the company's fourth major business line. This vertical experienced a loss this quarter as investments are being made in order to ultimately increase rents in this area.

In summary, in Tricon, investors get exposure to the recovering U.S. housing market and an experienced management team that has been and should continue to benefit from this trend.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

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## **Date**

2025/07/02

## **Date Created**

2018/11/10

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