



## Get 25% off This Real Estate Growth Stock

### Description

Buy low, sell high is the goal of most investors.

When it comes to real estate stocks, situations arise in which a company's assets are worth more than the value of its stock. **Tricon Capital** ([TSX:TCN](#)) is such a company.

Signature Global Asset Management portfolio manager Joshua Varghese appeared on the December 5 edition of Top Picks, BNN Bloomberg's daily show featuring investment experts. Tricon was one of his three real estate picks.

His rationale for recommending TCN:

"It's one of the best real estate managers in the business, and it's trading at a 25 per cent discount to its NAV," Varghese said. "Through Tricon's effective management, technological efforts and focus on value creation, we see this NAV increasing by annual pace of double digits over the next couple of years."

### I've been a fan for some time

Tricon is one of my five [favourite](#) TSX stocks. Along with **Brookfield Asset Management**, **NFI Group**, **Premium Brands**, and **Alimentation Couche-Tard**, it will deliver for you over the long haul.

While all five have had a rough go since I recommended them in October 2017, I recently [suggested](#) that they're all at the top of my list of stocks to buy in 2019.

Buying quality stocks like these five while they're trading lower is the key to building wealth. Stocks don't go up in a straight line, and Tricon is no exception.

However, how often do you get an opportunity to buy assets for 25% off? Not very often.

In June, I [argued](#) that Tricon is both a growth stock and value stock.

### **It's a growth stock**

It's a growth stock because Tricon American Homes (TAH), which owns and rents out single-family homes in the U.S., grew its Q3 2018 funds from operations by 28%, thanks in large part to a high occupancy rate of 96.3% and a 9.4% increase in rent on new leases and a 5.4% increase on renewals.

Keep occupancy rates high and rents growing and you're going to generate significant growth in your funds from operations.

So, TAH generates revenue from rental income, increases in the value of its single-family portfolio, and from the eventual sale of some of these homes. Not a bad business.

Perhaps that's why Varghese also recommended **Invitation Homes**, an NYSE-listed company, and the largest owner of single-family rental homes in the U.S. Taken public by **Blackstone Group** in January 2017, Blackstone still owns 42% of the company.

### **It's a value stock**

As I said earlier, Tricon's stock is trading at a 25% discount to its assets, suggesting that its stock is worth about \$12.75 a share were the company to liquidate all its assets.

It won't do that because in addition to managing assets for third parties, it also has invested significant capital of its own, and seeks to grow those assets by double digits over time.

Currently valued at 10.9 times its forward P/E, its current 2.8% dividend yield is very attractive given Tricon's growth potential.

### **It won't be on sale for long**

There are many real estate investments trading on the TSX. However, there are only a few I would consider being quality managers.

Tricon is one of them. **First Capital** is another, and of course, anything Brookfield Asset Management has its hands on is well managed.

Trading at a 25% discount, it won't remain on sale for too long.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BN (Brookfield Corporation)
2. NYSE:BX (The Blackstone Group L.P.)
3. TSX:BN (Brookfield)
4. TSX:FCR.UN (First Capital Real Estate Investment Trust)
5. TSX:NFI (NFI Group)
6. TSX:PBH (Premium Brands Holdings Corporation)

7. TSX:TCN (Tricon Residential Inc. )

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