



## Strong Buy Alert: A TFSA Wealth Protector That'll Enrich You While the TSX Index Crumbles Like a Paper Bag!

### Description

**Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)), or CAPREIT, is a residential real estate investment trust (REIT) that's been making an absolute killing over the past few years. Just have a look at CAPREIT's stock chart; it's a thing of beauty. While most REITs have lower capital gains to go with large yields, CAPREIT is a REIT that's more like a stock given the incredible growth it's commanded over the years.

Make no mistake, CAPREIT is still a REIT that's required to pay out 90% of its taxable income to investors in the form of distributions. The trust's real advantage lies with management, who's proactively and opportunistically taking advantage of macro factors to sustain its growth advantage, which separates the trust from other, lower-growth REITs.

### What advantages are these?

CAPREIT has a vast portfolio of extremely sought-after residential properties within red-hot markets where the demand for residential units profoundly exceeds the supply. Because of this, CAPREIT has an applaud-worthy occupancy rate that's well over 99%. And because it's a seller's market, CAPREIT [calls the shots](#) and can consistently raise rents (that are already on the high side), while keeping its expenses contained without having to worry about increasing turnover rates.

To keep costs on the lower end, CAPREIT certainly isn't neglecting its tenants when it comes to maintenance, but potential renovations for its older units definitely appear to be postponed in favour of new projects that'll bolster CAPREIT's top-line numbers. Fortunately for CAPREIT, it doesn't need to spruce up its older units to attract prospective renters. In a seller's market like Vancouver or Toronto, where low-cost units are few and far between, prospective apartment renters appear entirely out of options if they're in the market for a rental unit.

## CAPREIT is in the right place at the right time

CAPREIT continues to develop new residential properties in explosive real estate markets like Vancouver and Toronto — markets that are in a state of emergency with apartment vacancy rates that are poised to fall below the 1% mark.

You see, Vancouver has been a frothy housing market for quite some time, but over the past year, sales have slowed thanks in part to more stringent mortgage rules and foreign buyer taxes, among other regulations that have tempered housing sales. These new rules make it uneconomical for some folks to afford a mortgage on a home, so naturally, they flock towards rental apartments, which are already in short supply.

For the renter, it's a complete disaster. But for CAPREIT, it's a generational opportunity to profit profoundly from a supply-demand imbalance that I believe will further tilt in its favour, as the Vancouver and Toronto rental housing scene become direr for renters.

In CAPREIT's last conference call, management noted it sees turnover rates dropping from the mid-20% range to the 15-20% range, which I believe is a given considering the favourable rental markets that CAPREIT is exposed to.

With 10,000 new units being erected over the next decade, its mighty pricing power in its select markets, and the cost-cutting advantage made possible by extremely low vacancy rates, I see CAPREIT as an unstoppable force that could double over the next five years, regardless of what ends up happening to the economy.

CAPREIT is in the [right place at the right time](#). It's as simple as that.

Over the medium term, I expect top- and bottom-line numbers to accelerate given its positioning in severely skewed rental markets that I believe won't reach an equilibrium anytime soon.

## How strong is CAPREIT's pricing power?

For its new units, it could easily hike rents by a few grand above market value and still have no shortage of rental applications from left, right, and centre.

## Foolish takeaway on CAPREIT

It doesn't matter if the markets were to crumble like a paper bag tomorrow. CAPREIT is still positioned to soar due to its extreme position of power. If you're looking for safety in a turbulent market, look no further than CAPREIT. You're getting a nearly 3% yield and unstoppable momentum with a low degree of correlation (0.16 three-year beta) to the broader market.

As for renters in Vancouver, is there any hope?

Well, for those with enough dry powder, an investment in CAPREIT appears to be a perfect hedge

against extremely unfavourable rental market conditions that'll see them getting rent gouged by property owners for years.

Stay hungry. Stay Foolish.

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