



Generational Opportunity: 1 Reliable Income Investment That'll Put the S&P 500 to Shame

Description

Every once in a while, there's a generation opportunity that's too good to pass on. Typically, such opportunities are with firms that are well positioned to take advantage of an inefficient market where supply and demand are heavily imbalanced. The window of opportunity is usually limited, but for firms with the capacity to deliver on the supply side, there are massive economic rewards to the firm's investors.

Enter [Canadian Apartment Properties REIT \(TSX:CAR.UN\)](#), or CAPREIT, a run-of-the-mill residential REIT that you've probably heard about many times. It's the one with the meagre 3% yield and the chart that looks like that of a momentum stock.

Don't be fooled though, as CAPREIT is a smooth operator that's still subject to the requirements put forth by REITs. The trust is required to pay out a fixed amount of net income to shareholders in the form of a distribution, and for many REITs that stunts [long-term growth](#). So, with these requirements in place, how has CAPREIT been able to break the trend by rocketing higher in spite of the "high-yield, low-growth" template that many investors think about when it comes to REITs?

CAPREIT is in the right place at the right time, as I've said in prior pieces. But more importantly, management knows it's at the right place, and it's doubling down on the markets that'll allow it to reap the fruit of severe supply-demand imbalances within specific rental markets.

Of course, I'm talking about rental markets like Toronto and Vancouver, both of which could be described as a rental state of emergency.

CAPREIT is doing everything in its power to help on the supply side to get select rental markets back to equilibrium. Since demand is off the charts, CAPREIT really doesn't need to worry about boosting its occupancy, especially in the early stages of the development of a new property. Pre-leases will be scooped up by local renters, and it's nearly guaranteed that new residential complexes will have vacancy rates much lower than the 1% mark.

Moreover, since CAPREIT is supplying a much-in-demand product to locals, the company can raise rents at or well above market rates. In such a rental market like Vancouver or Toronto, the market equilibrium is so severe such that the trust can hike rents comfortably above current market rates and have no problem filling the units with tenants.

Foolish takeaway on CAPREIT

It's a dire situation for renters but an opportunity of a lifetime for CAPREIT — a company that has the ability to make a killing thanks to the fortunate hand it's been dealt. As far as I'm concerned, CAPREIT is a rare opportunity in spite of its modest yield, so investors should feel comfortable betting on the name on its recent dip.

Legendary investor Phillip Fisher refers to businesses like CAPREIT as “fortunate and able.” CAPREIT is fortunate because it's in the right places at the right times, and able because management has what it takes to take advantage of the opportunity at hand to its fullest.

Stay hungry. Stay Foolish.

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Author

joefrenette

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