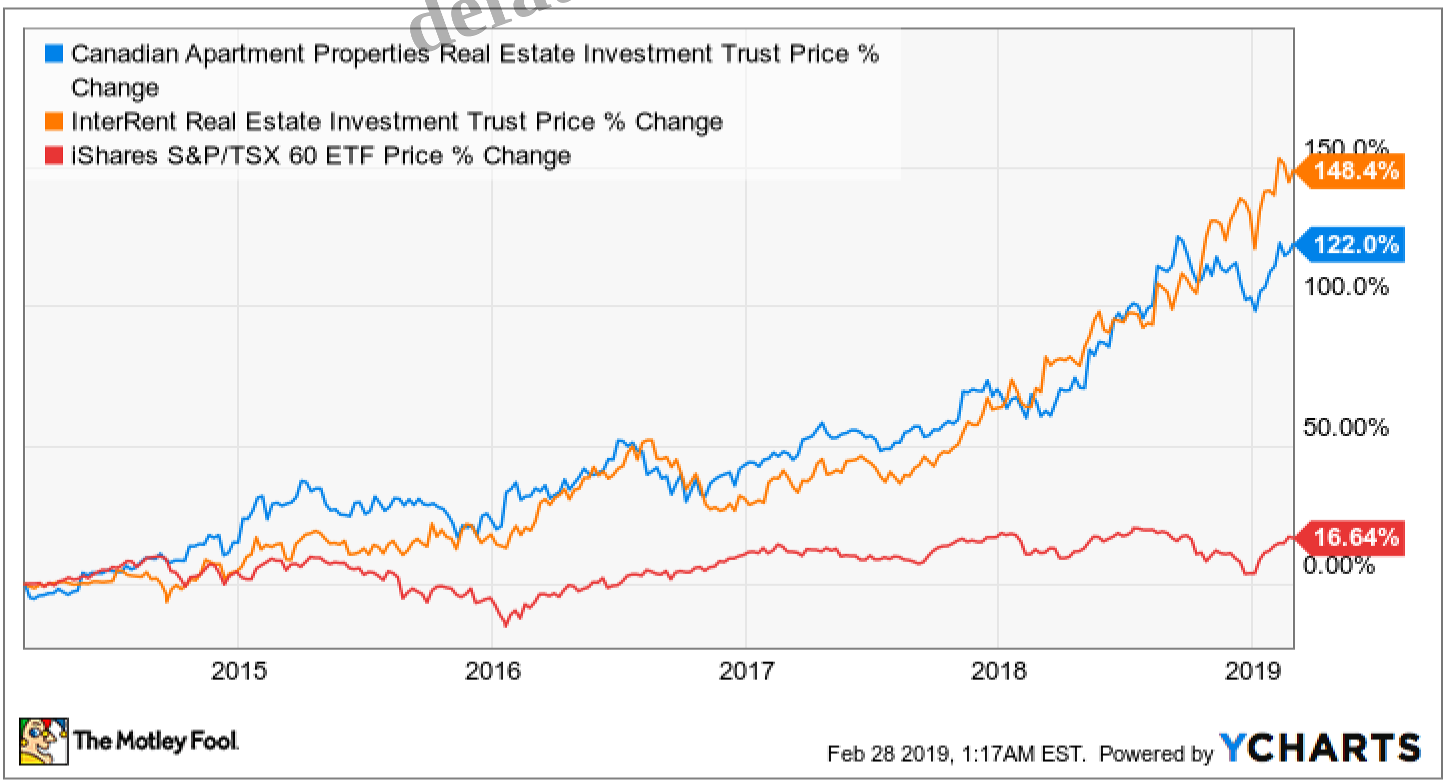

# These REITs Are Soaring to New Heights

## Description

[Real estate investment trusts](#) (REITs) are a straightforward way for investors to generate rental income. However, **Canadian Apartment Properties REIT** ([TSX:CAR.UN](#)) and **InterRent Real Estate Investment Trust** ([TSX:IIP.UN](#)) show that they can be [high growth stocks](#), too.



Here are the five-year price actions of the fabulous stocks compared to the Canadian market. As you can see, there was no competition.




CAR.UN data by YCharts

Let’s take a closer look at the two residential REITs that have simply outperformed.

## Canadian Apartment Properties REIT

Canadian Apartment Properties REIT owns a best-in-class portfolio of multi-unit residential properties, including apartment buildings, townhouses and land lease communities located in or near major urban centres across Canada.

In 2018, the well-managed REIT increased its net operating income (NOI) by 11.6% — thanks to the contribution of acquisitions, the rise of same-property monthly rents, and lower operating expenses. Same property NOI climbed 8%. Trickling down to the bottom line, normalized funds from operations per unit increased by nearly 10%.

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Canadian Apartment Properties REIT’s 2018 funds from operations payout ratio was under 66%, which is very conservative for a REIT. At the end of 2018, its weighted average interest rate was only 3.05%, which indicated how high quality the REIT was.



At $48.53 per unit as of writing, Canadian Apartment Properties REIT trades at about 24 times funds from operations, which is on the expensive side. The high valuation has pushed down the stocks yield to only 2.74%, which makes the stock a risky investment with the potential of below-average returns going forward.

## InterRent REIT

From 2009-2011, InterRent experienced a major transformation. By 2012, the REIT had repositioned itself, and since then, it has been on a growth path with above-average dividend growth. It has nearly doubled its cash distribution per unit in the period, which equated to a compound annual growth rate of nearly 11.6%!

InterRent’s residential portfolio is focused in Ontario and Quebec. Its largest exposure is in primary markets, such as Ottawa, Montreal, and Hamilton.

Specifically, it has 2,464 suites across 26 properties in Ottawa, about 1,900 suites across 15 properties in Montreal, and about 1,400 suites across 10 properties in Hamilton. It also operates in other primary markets, including Burlington, Mississauga, Gatineau, Grimsby, Toronto, and Ajax.

In 2018, the REIT increased its NOI by 24.3%; same property NOI climbed 14.6%. This led to growth of the funds from operations per unit by 5.4%. It was able to hike its cash distribution by 10.4% because of its low payout ratio. The REIT’s recent payout ratio was about 61%, which is sustainable.

At $13.91 per unit as of writing, InterRent trades at about 31 times funds from operations, which is a high valuation. It yields about 2%.

## Investor takeaway

Although both Canadian Apartment Properties REIT and InterRent have greatly outperformed the market, I'd be hesitant to invest in the quality REITs today because they're priced for perfection. It'd be more prudent for interested investors to buy them on dips such as during market-wide corrections.

Stay hungry. Stay Foolish.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)



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