



This Overachieving REIT Is up More Than 800% in the Last Decade and it's Not About to Stop

Description

The real estate industry is one of the best, oldest, and most popular industries to invest in. People will always need somewhere to live, which makes real estate more immune to market shocks and much safer as a long-term investment. It is no wonder why most people that invest decide to buy income properties; however, a lot of people don't have the resources available to own their own property.

Whether it is the capital needed to purchase a property or the time and ability needed to maintain the property, investors have required other options to expose themselves to the real estate market.

That's where [real estate investment trusts](#) (REITs) come in. REITs are a great way for investors to expose themselves to the real estate industry while reducing their risk. Whether its office space, retail, apartments, or more, there are a number of options available to investors. One of the best trusts over the last 10 years though, without a doubt, has to be **Interrent Real Estate Investment Trust** ([TSX:IIP.UN](#)).

Interrent is a growth-oriented apartment owner. Its strategy of acquiring and upgrading existing buildings has been one of the best over the last 10 years. By purchasing a building that is already operating, then upgrading and improving the sites, Interrent has increased its earnings potential substantially. This increase in income far offsets the amount of capital invested to improve the sites in the long run.

Acquisitions

Interrent has a strong track record of acquiring and upgrading existing buildings in Ontario and Quebec. By purchasing buildings at attractive prices and then spending additional capital on facility upgrades, Interrent has the ability to increase its cap rate substantially, which, in turn, helps drive an increase in FFO. Additionally, if buildings no longer fit Interrent's portfolio model, they can be sold off and the funds recycled into new investments with higher potential.

The trust has been exceptional at this over the last decade, increasing building values and the rent prices to go along with it. Over the last four years, Interrent has acquired an average of 872 units per year. This tremendous growth in assets and the amount they yield has been the core driver of performance for the trust and should continue into the future.

Rent price over occupancy

In this age of real estate in Canada, management has implemented a strategy of trying to acquire target rent prices rather than trying to aim for maximum capacity. This strategy has paid off well due to low supply in the multifamily residential market.

In the last decade, Interrent has increased its average rent per suite more than 5% year over year. It has achieved this incredible increase all while keeping occupancy at or above 95%. The ability to charge higher rents while keeping stable occupancy rates has significantly improved the earnings power of the trust without adding costs.

Lower costs

The trust has done a lot in recent years to lower overall costs and increase profitability. Firstly, its commitment to better customer service to lower turnover and the costs associated has been very important. The trust has also vertically integrated itself by internalizing its property manager.

Interrent has also invested heavily in energy-efficient utilities to help lower those costs in the long run. Going forward, management knows keeping costs in line will be just as important as increasing the top-line numbers.

The bottom line

Although it may not yield all that much for a REIT, Interrent has been a top performer in the real estate industry over the last decade. The combination of market economics and Interrent's model of acquiring and upgrading assets has been integral in the execution of management.

The strategy is not going to change going forward and given the low supply of multi-family residential properties, especially in southern Ontario, the trust should continue the fantastic performance.

Stay hungry. Stay Foolish.

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