



Here's a Stock to Own for Exposure to the U.S. Housing Market

Description

Are you watching the U.S. [housing market](#) closely?

If so, you know that declining U.S. mortgage rates have provided a boost to it, and this has warranted a more positive stance.

So, for those investors that are interested in gaining exposure to the U.S. housing market, I present to you **Tricon Capital Group** ([TSX:TCN](#)), a \$1.1 billion market capitalization company that is trading below book value, despite continued solid, long-term fundamentals.

Tricon has amassed approximately \$7.9 billion of assets under management through its investments in rental homes, rental apartments, housing assets, and its third-party capital management.

This is at a time when the rental market in the U.S. is growing at a rapid pace and when the housing market is getting a renewed boost from unexpectedly falling mortgage rates.

Tricon offers exposure to these trends in a big way.

Real estate portfolio

Rental homes account for the majority of Tricon's adjusted EBITDA.

In the Tricon American Homes segment, a big percentage of the single-family homes that have been purchased to date have been completed at distressed values through foreclosure sales.

Once acquired, the company invests in home renovations before renting to tenants.

This segment accounts for north of 80% of Tricon's adjusted EBITDA, and in the latest quarter, its EBITDA increased a healthy 7% to \$65.8 million. Rent growth was 5%.

But it doesn't stop here.

Tricon continues to expand and diversify by investing in new, emerging businesses, such as the Tricon Lifestyle Rentals segment, with apartment buildings in Canada as well as the United States.

These buildings, which are located in major employment and transit hubs, are defined by “design excellence, high service standards, and programmed lifestyle amenities that put people first.”

As such, Tricon is investing to achieve this experience in its homes, which will enable the company to increase rents in these buildings, ultimately setting up a long-term income stream consisting of both its ownership stake and its management role.

Stock trades below book value

Tricon stock is currently trading below [book value](#). With an ROE of almost 11%, a dividend yield of 2.69%, and a healthy balance sheet to support future growth, this strikes me as grossly undervalued.

It is a stock that has a three-year return of 20% but has languished in the last two years.

But being a dividend stock, it has at least provided its shareholders with reliable dividend income.

Final thoughts

Falling U.S. mortgage rates and a booming rental market are major drivers for Tricon, and given the company’s focus on those regions that have strong employment, economic, and housing fundamentals, this stock is a solid long-term buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TCN (Tricon Residential Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24

Date Created

2019/05/22

Author

karenjennifer

default watermark

default watermark