



TFSA Millionaires: Cash In on Student Housing

Description

It's easy to forget that real estate is a heterogeneous asset class. Not all properties are created equally or have the same financial characteristics. Beyond just the location and price bracket, each property is also differentiated by its intended use.

Average investors who forget this fact tend to focus on single or multi-family residential properties, which has made the market for family homes unbelievably competitive. Add to the fact that most developers and [real estate investment trusts](#) (REITs) also focus on this segment of the market, and you can see why family homes now seem overpriced.

However, savvy institutions and accredited investors have an option to escape the competition and squeeze better returns from purpose-built properties — in particular, purpose-built student housing.

Student housing

Higher education is one of the country's most critical foreign exports. According to Global Affairs Canada, international students arriving to study at the nation's top universities spent \$15.5 billion in 2016 alone. This included tuition and discretionary spending.

Most of these foreign arrivals stay on campus. However, campus living can be expensive, which is why a substantial number of students seek out private accommodation. University students don't have a credit history or stable income, but their rents are backed by their parents and their stay is determined by the length of their course. This makes them extremely reliable renters.

This market is currently dominated by individual homeowners and small-scale investors. However, that's changing and opening new opportunities for investors.

Investment options

In recent years, companies like Toronto-based Alignvest Management and Centurion Asset Management have acquired purpose-built student-housing properties across the country. They've bundled these assets into a REIT that is limited to accredited investors.

This means investors with at least \$1 million in financial assets, or over \$200,000 in annual income, can invest in this special REITs through their Tax-Free Savings Accounts or Registered Retirement Savings Plans. There's also a minimum investment requirement for this private investment.

Non-millionaire investors don't have these pure-play student-housing opportunities yet, but some REITs have purpose-built houses in their portfolios. **Canadian Apartment Properties REIT** ([TSX:CAR.UN](https://www.captre.it)) is a good example.

One of the largest REITs in the country, CAPREIT has been investing in purpose-built student houses for a while. The company owns 169 units across the country that are located close to some of Canada's top universities.

The majority of this student portfolio is located in the Greater Toronto Area, which means the units are located around the campuses of the University of Toronto. One in five of the 91,280 students who enrolled at the University last year were from abroad. It may be fair to assume a substantial number of Canadian students were living away from home, too.

CAPREIT's portfolio includes similar university-adjacent properties in Montreal and Alberta. The company seems to be at the forefront of this trend towards off-campus living and is bolstering investments in this overlooked and fragmented market. Retail investors might want to take a closer look.

Bottom line

Special housing for students is an overlooked niche that could deliver stable income. While pure-play opportunities are currently limited to accredited investors, retail investors may gain exposure through REITs like Canadian Apartment Properties REIT.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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