



2 Residential REITs to Give Your Portfolio Real Estate Exposure

Description

The residential real estate market has been one of the hottest areas to be invested in over the last decade.

Population growth in Canada has been increasing rapidly, far outpacing the supply that's coming online. This has tightened the market, allowing for higher profits to be made.

Furthermore, the speculation of some investors who flip houses or buy for the capital gains only exacerbates the problem.

Then, there is the short-term rental market, which also increases demand, and leaves little excess supply in the markets.

This has driven housing prices higher and caused monthly rents to explode.

In order to take advantage of this, even with just a small amount of capital to invest, you can buy residential real estate investment trusts (REITs).

Residential REITs give investors the ability to gain exposure to the sector without having to buy an [income property](#).

Two of the top residential REITs to consider in Canada today are **Minto Apartment REIT** ([TSX:MI.UN](#)) and **Boardwalk REIT** ([TSX:BEI.UN](#)).

Minto

Minto is a residential REIT that operates in five of Canada's top six major markets. It has 27 properties total, adding up to about 6,715 suites.

Like many of its peers, it has been deploying capital strategically to upgrade a number of its units, which is intended to drive unitholder value.

On top of creating new value in the units and buildings, these upgrades helps to increase rents, which are already growing substantially due to the tight residential real estate market.

The company has been reporting incredible new lease figures, with numbers up roughly 17% on new leases. This is driving a ton of growth for Minto, and doesn't look like it will slow down any time soon.

The company has been working to diversify its property locations, but currently about 70% of the portfolio is located in Toronto or Ottawa.

In its third-quarter earnings Minto showed just how strong operations have been. It reported a 7.2% gain year over year in adjusted funds from operations (AFFO) per unit. This brought the AFFO payout ratio to jut 54.4%, which is very sustainable.

The dividend, which is paid monthly, yields roughly 1.9% and was just increased in August.

Minto has an extremely strong portfolio with an occupancy rate north of 98.5% and only getting stronger. It's a well-run company that offers great exposure for investors looking to become a landlord the easy way.

Boardwalk

Boardwalk is a REIT that was an investor favourite for a long time but its over-exposure to Alberta became a problem when the oil market came crashing down roughly five years ago.

Since then, Boardwalk has struggled to keep investors happy, even though it has taken the necessary steps to improve its portfolio and diversify its asset base.

It's done this through acquisitions and development projects in eastern Canada and Ontario where it had a smaller portion of its portfolio. It's also been disposing of non-core assets in Western Canada, which has strengthened its portfolio.

Boardwalk has implemented a number of other strategies to compliment the work it's done to improve its portfolio. It has created strong brands such as its lifestyle and communities brands, which it hopes will help drive customer loyalty and give it more brand recognition.

This has helped it to get back on track, and the company has now posted six consecutive quarters of growth in funds from operations per unit.

The dividend today currently yields approximately 2.1% and the payout ratio of earnings stands at less than 50%.

Bottom line

Both companies are attractive and strong operators. Minto is a company that owns high-quality assets

in most of Canada's top markets, whereas Boardwalk has had its trouble in the past, but is in the turnaround stage and still has a high-quality management team running the show.

Either way, if you are exposed to the residential real estate market, you know you have set up yourself and your portfolio to succeed.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
2. TSX:MI.UN (Minto Apartment Real Estate Investment Trust)

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Author

danieldacosta

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