1 Stunning REIT Stock That Returned 1,440% in 10 Years

Description

As a new decade begins, it is customary to reveal the top TSX Composite stocks for the past decade. I did not expect to see a real estate investment trust (REIT) to be among the decade's top 10.

InterRent (TSX:IIP.UN) is an unsung name, yet it came out as one of the stocks that rewarded investors with gains of 1,440% in 10 years.
This $1.9 billion Ottawa-based REIT quietly grew organically in an extremely competitive environment. Had you invested $10,000 in InterRent on December 31, 2009, your money would be worth $154,000 today.

Growth-oriented REIT

The primary focus of InterRent is on multi-family residential properties in high-growth, urban markets across Canada. This stock grew to become one of the leading REITs with only one grand scheme. InterRent purchases older and mismanaged units at bargain prices in Montreal, Ottawa, and Toronto.

All acquired properties undergo complete renovation before making them available in the rental market. Also, it justifies InterRent's higher rent charges than what the previous property owners receive. This REIT uses the same formula of buying undervalued properties to this day.

During the past decade, InterRent was able to more than double the number of units it owns and operates. Because of the limited supply of apartments in the cities mentioned, demand remains strong. Thus, InterRent keeps generating good cash flow growth (10% annually). Only a severe recession can suppress its growth.

Portfolio revamp

Management saw the opportunity for growth during the housing boom in the Greater Toronto Area (GTA) in 2016. With home prices skyrocketing, demand for apartment rentals rose significantly. It was the perfect timing to sell non-core buildings during the height of the housing market craze.

InterRent plowed back the proceeds from the sale into the three core markets of GTA, Montreal, and Ottawa. Then this REIT began finding ways to grow organically by increasing rents and decreasing costs. The company started offloading electricity bills onto tenants.

By introducing hydro sub-metering in its apartment buildings, it was able to generate savings. There was money to use for more improvements to its rental properties so that it could attract quality tenants.

InterRent's CEO Mike McGahan was the chief architect of the timely portfolio revamp. Factors such as improved youth employment, an ageing Canadian population, and exceedingly high net international migration were pushing the demand for rental apartments higher. His team didn't waste time to capitalize.

More growth ahead

Today, InterRent owns 80 properties with 9,300 suites available for rent. The number reflects the immense growth of this REIT. Two years ago, the stock was trading at only $6.56 per share. As of this writing, the price is $15.30, which represents 133.23% growth.

Analysts covering the stock are forecasting a 24.18% capital appreciation in the next 12 months. On the dividend side, InterRent pays a modest 1.98%. Notably, the payout ratio is a low 20.81%. There's room for dividend growth should the REIT grow its portfolio some more.

You can include InterRent in your portfolio if you want exposure to the real estate sector and a quality REIT stock at that.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/21
Date Created
2020/01/08
Author
cliew