TFSA Investor: This Little-Known REIT Stock Is the Best-Kept Secret of 2020

Description

You are an excellent TFSA investor if you search for a good stock deal at the beginning of every year. REIT stocks are a good choice, especially if you want to hold for the long term in your TFSA or RRSP. However, it is not easy to find the right REIT stock to invest in every January.

InterRent (TSX:IIP.UN) was founded in 2006 and listed on TSX in 2007. The company struggled to find its feet in the REIT landscape in the beginning. But come 2009, InterRent stock never looked back.

In the last 10 years, it has witnessed over 1,400% growth. On January 14, 2010, InterRent's share price was $1.56, and on January 14, 2020, it is rallying around $15-$16. Even with such good turnaround and stable growth, InterRent hasn't become an investors' darling. A modest payout ratio might be the reason behind many investors' disinterest in this REIT stock.

But if you want to boost your TFSA, then I would advise you to consider investing in this relatively uncelebrated InterRent stock. Here are the reasons why I believe this REIT stock could be a valuable addition to your TFSA in 2020.

InterRent has tried its best to make the stock recession-proof

The growth formula of InterRent is simple and effective. It buys older and ramshackle estates in urban centres like Ottawa, Montreal, and Toronto for cheap, renovates on modern construction and aesthetic lines, and puts them on the rental market at higher rates.

This model of one-time investment in undervalued estate and recurring return in terms of high rents has put up a good cash flow regimen for the company. It has witnessed around 10% growth in this regard.

It is quite a fail-safe business model as long as you are not going to get hit too hard by a recession. This active cash flow profile that has been growing and will continue to grow makes InterRent a great addition to any TFSA.

The rental housing market is outperforming homeownership

As per the report furnished by PwC Canada, the rental landscape has started outperforming homeownership in the country after a several-decade break. This high rental demand is primarily concentrated in the urban centres, where the InterRent owns the majority of its units. Also, the fact that the number of immigrants will continue to increase, the demand for the residential rental unit is not going to end any time soon.

This poses a perfect scenario for InterRent to grow, even though it has already doubled its property assets in the last 10 years.

Proper debt servicing is in place

InterRent is also doing well on the debt-servicing front. This will inevitably help the company in its future acquisition and development plans. Its current interest coverage ratio is 3.07 times, which is better than 2.85 times of the last fiscal year. Its debt-service coverage ratio is also better than many other REIT stocks.

Summary

Strong balance sheet and sound expansion plans will help InterRent stock in maintaining its good run. Despite its relatively low payout ratio for a REIT stock, InterRent can be an excellent addition to your TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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1. Business Insider
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