



Forget High-Yield REITs: Buy This Growth REIT Instead

Description

REITs are synonymous to investors as being stocks that are some of the best dividend-paying companies. The real estate sector has long been one of the best industries to be invested in long term in addition to it also being a great industry to generate passive income from.

While high-yield REITs can be very rewarding for investors, better long-term results can be found in higher-growth REITs that don't pay out as much in passive income but are growing value of the units for investors.

As the Canadian real estate industry continues to keep booming, many REITs have been focused on growing their portfolios and the value of their units, rather than paying out earnings back to investors.

This has been a prudent move, as many of these REITs have put up strong growth numbers, and it's likely it's been a better use of the funds than paying it out to shareholders.

One of the top growth REITs for investors to consider investing in today is **InterRent REIT** ([TSX:IIP.UN](https://www.scribd.com/document/444444444/InterRent-REIT-TSX-IIP-UN)).

InterRent

InterRent may just be the best growth REIT on the TSX. It's a residential REIT with 84 properties totalling over 10,000 units across southern Ontario and Quebec.

When current management took over in 2009, the company began to re-build and re-position its portfolio. What followed were years of new value creation, growing both organically and through acquisition.

The company's total number of suites increased from roughly 4,000 back in 2009 to the more than 10,000 the company has now.

The major growth the company has seen has improved the share price considerably and resulted in a

total return for investors of more than 1,300% since 2009.

When looking for a new property to acquire, InterRent is extremely disciplined about it and only invests in properties or assets that it believes it has the potential to increase the value of considerably.

Because of this, InterRent's primary targets are properties that have had a history of sub-par management, which is affecting the value of the asset, allowing InterRent to buy it cheap and use its strong execution to improve the income-generating potential of the property and therefore grow its value.

On top of growing the value of its properties, it's also able to increase the rents, severely improving the cash flow it's receiving, which it uses to reinvest in new assets or pay its dividend.

Although its dividend, which is yielding about 1.85%, isn't the main reason you will want to buy InterRent shares, it's a nice bonus, especially considering that the trust has increased the dividend by at least 5% every year since 2011.

The continuously increasing dividend is not only attractive but has also made InterRent eligible for the Canadian Dividend Aristocrats list, where it might be one of the fastest-growing stocks included in the prestigious group of dividend payers.

The growth of the dividend is directly related to the strength of InterRent's growth in rents it's been able to charge. Over the last five years, according to the CMHC, average rents in Ontario and Quebec have increased at a compounded annual growth rate (CAGR) of 3.7% and 2.3%, respectively.

InterRent, which operates in those two provinces only, had a CAGR in its average rent of 5% over the last five years — 130 basis points more than the average in Ontario and 270 basis points more than Quebec.

The stock is currently priced for growth but still offers an attractive entry point for investors, especially if InterRent can keep up this brilliant run.

Going forward, the company looks to keep its financial sheet in a strong position, it has over 3,500 suites in its development portfolio to upgrade, and it will continue to search for new ways to grow shareholder value.

Bottom line

There are a number of [high-yield REITs](#) you can buy if you are looking for a boost to your income, but if you want some capital appreciation in an industry that is a staple of the economy and one of the most defensive sectors in the market, then consider InterRent.

Investors have made over 130% in the last three years, and the growth doesn't look like it will slow down anytime soon.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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