



Buy This REIT to Profit From Toronto's Soaring Housing Market!

Description

Toronto's real estate market is headed for another hot year in 2020.

According to the Toronto Regional Real Estate Board (TRREB), the city's house prices rose 12.3% year over year in January, capping a decade of incredible gains.

For years, prominent investors have been warning about a "real estate bubble" in Canada's largest cities. Prem Watsa, one of those who has been sounding the alarm, has been calling for the bubble to burst since 2012. Yet year in and year out, the market keeps defying gravity, driven by supply shortages and rapid population growth.

In the 12 months ended July 2018, Toronto was the fastest growing city in North America, adding 77,000 new residents. That kind of population growth can keep house prices rising for a long time, particularly when coupled with rampant real estate speculation.

Nobody knows exactly how long Toronto's [meteoric rise](#) can go on. What can be said with certainty, however, is that one REIT is profiting enormously from the gains.

RioCan Real Estate Investment Trust

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) is one of Canada's largest REITs. Traditionally, it has focused on big box retail stores, but more recently it has been branching out into residential properties. Its [mixed commercial/residential properties](#) typically house big box retail space on the bottom and residential units on the top. The strategy seems to be paying off: in its most recent quarter and nine-month period, Riocan posted monster earnings growth, driven largely by increases in the value of its residential inventory.

The company is planning to keep this growth going, too. In a November 2019 interview, CEO Ed Sonshine said that he and his team were planning "hundreds of millions" in investments in the year ahead.

Increasing investments in residential property

One of the most promising things about RioCan is its increasing investment in residential property. The company has long focused on commercial space, which it has done well with. However, many “big box” retailers are under pressure from e-commerce, which could hit RioCan in the pocketbook.

Residential real estate, on the other hand, is just getting hotter. In addition to the house price increases we’ve been seeing in Toronto, rents are also on the rise. While these trends are bad news for renters, they’re fantastic news for residential-oriented REITs, which profit from the soaring prices.

We’re already beginning to see the results in RioCan’s earnings. As previously mentioned, RioCan’s most recent quarter was a big success, driven in no small part by gains in its residential portfolio. What’s more, there are even more residential developments coming. According to the Real Estate News Exchange, RioCan currently has 4,800 residential units under development, with plans for more. Many of these units are in Toronto, which bodes well for the company’s ability to turn a healthy profit on the properties it’s developing.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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