



Who Says REITs Can't Make You Rich? Here's a REIT With Huge Upside!

Description

REITs can get a pretty bad rap with younger investors like millennials. They're [boring investments](#) that are more suitable for our parents or grandparents, given their relative lack of capital upside relative to equities.

Some REITs go nowhere over prolonged periods, leaving investors with only the distribution to show for their patience. And given the uneventful nature of such investments, it's not a surprise to see REITs the "retiree" label slapped on the whole asset class.

You don't usually think of substantial capital appreciation when it comes to REITs. The yields are typically outsized, the movements aren't as pronounced as stocks, and it doesn't make sense to trade them.

Despite the low-volatility, slow-and-steady nature of the REITs, they still deserve a spot in the portfolio of younger [growth-oriented](#) investors.

Why?

REITs are an alternative investment that can help one lower their portfolio's correlation to the broader markets. On average, the REITs possess a low beta and tend to be less dependent on news that's more relevant to the average publicly-traded company.

REITs lease out rental units and collect monthly rent, and a temporary headwind isn't going to deliver a shocking surprise to profits for a given quarter.

Moreover, there are underrated REITs out there that are able to grow despite their colossal and growth-stunting distribution commitments.

If a given REIT is returning 90% of its taxable income into the pockets of its shareholders, there's only so much capital you can put to work to fund ambitious growth projects.

That's why I like looking to REITs that are either "fortunate" enough to operate within a real estate sub-

industry that enjoys a tailwind blow or possess a unique set of talents that separate it from the average TSX-traded REIT. Consider shares of **Interrent REIT** ([TSX:IIP.UN](#)), a residential property player that's in the latter category.

Interrent has a proven growth model of acquiring challenged properties that typically have “baggage” on the cheap. Whether the baggage is sub-par building management or outdated units that are in dire need of renovation, Interrent goes on the hunt for such properties with the intent of creating long-term value for its shareholders through “synergies.”

A rundown unit in a poorly-managed building typically can't command rents that are that high. Where Interrent excels is their ability to spruce up existing units, improve a building's management, and add the odd amenity to allow the REIT to charge a higher rent to beef-up its AFFOs.

Most acquisitions come with a significant set of risks, and over the years, Interrent's exceptional stewards have proven they have a knack for mitigating such risks.

The results really speak for themselves. Interrent shares have rocketed 170% over the last five years. Given the relatively small size of the REIT (\$2.1 billion), the name is likely nowhere close to being at peak growth, as management continues replicating its unique and successful growth strategy.

As an added bonus, the REIT sports a 0.16 beta, making it a fantastic way to beef up your portfolio's risk/reward profile!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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Date

2025/08/25

Date Created

2020/02/20

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