



## It's Time to Become a Passive Landlord

### Description

You can become a passive landlord of a defensive real estate empire immediately. Additionally, you can do so for a fraction of the investment previously needed thanks to the market crash we're experiencing.

**Tricon Capital Group** ([TSX:TCN](#)) and **Killam Apartment REIT** ([TSX:KMP.UN](#)) have fallen 44% and 27%, respectively, from their February levels. The value stocks are excellent for accumulation.

## Be a passive landlord of this North American residential real estate empire

Why become a passive landlord through Tricon Capital? There are a bunch of reasons.

First, over the years, Tricon Capital has built a massive North American [residential real estate empire](#). Specifically, it has more than 21,000 single-family rental homes in the United States that make up 66% of its real estate empire as well as nearly 7,800 North American multi-family rental units that represent the remainder (34%) of its portfolio.

Having increased its rental housing from 45% of its balance sheet from 2012 to 80% in 2019, Tricon's profitability has become much more stable.

Second, Tricon Capital has its interests aligned with those of its shareholders, as it invests alongside its shareholders. It has about \$10.5 billion of assets under management, including 70% that is principal capital and 30% that is third-party capital, from which it generates contractual fees.

Contractual fees include asset management fees, development fees, property management fees, and performance fees.

Third, Tricon Capital has lots of room to grow its fee-bearing capital and real estate empire. It plans to increase its fee-bearing capital from US\$2.3 billion to US\$3.3 billion by 2022. Furthermore, it has about 3,100 multi-family rental units under development.

Finally, the stock trades at a basement price and offers a nice yield of 4.6%. At about \$6 per share at writing, Tricon Capital trades at roughly 14.6 times its 2019 funds from operations (FFO). This is an attractive valuation against the company's estimated FFO-per-share growth of about 9% per year through 2022.

## Be a passive landlord through Killam

You can also become a passive landlord through Killam Apartment REIT. The Canadian residential REIT has more than 16,400 apartment units and 5,700 manufactured home community (MHC) sites.

Killam's real estate portfolio is predominantly in eastern Canada, including 40% of its net operating income from Nova Scotia, 24% from Ontario, and 19% from New Brunswick. It generates about 88% of its net operating income from its apartment portfolio.

Its recent results were good. In 2019, its net operating income increased by 12% to \$152 million, while its adjusted FFO per share climbed 5.3%.

Coupled with a reasonable payout ratio of 82%, Killam Apartment REIT decided to increase its cash distribution by 3% to an annualized payout of \$0.68 per share.

Same-property apartment occupancy improved 40 basis points to 97.3% in 2019. As well, its same-property net operating income growth was 4.1%.

At about \$14.4 per share at writing, Killam trades at a discount of 35% from the average analyst's 12-month price target, which also represents more than 50% near-term upside potential. Its yield of 4.7% will also boost returns.

## The Foolish bottom line

Residential REITs are a defensive asset class because people need a place to live. They either buy or rent. Thanks to the current bear market, investors can now become passive landlords by buying Tricon Capital and Killam Apartment REIT at hefty discounts. Their low valuations should lead to outsized price appreciation and [boosted yields](#).

Check these stocks out for more value for your money!

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:KMP.UN (Killam Apartment REIT)
2. TSX:TCN (Tricon Residential Inc. )

## **PARTNER-FEEDS**

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