



## This Residential Landlord May Weather the COVID-19 Storm

### Description

From the looks of it, the COVID-19 pandemic will likely put the commercial real estate space in North America in a tough spot. However, it is unlikely that the residential real estate sector will go through a similar kind of pain, thanks to government stimulus efforts in the United States and Canada. These efforts should help the middle market resident demographic weather the crisis.

The federal governments in Canada and the United States are looking at several options to lessen the burden on the average resident. This includes wage replacement, expanded unemployment insurance, and small business loans tied to payroll protection.

**Tricon Capital** ([TSX:TCN](#)) is a [residential real estate](#) company primarily focused on rental housing in North America. Tricon has \$8 billion in assets under management and approximately 32,000 single-family and multi-family rental units in its portfolio.

The company provided an update on its business and select operating [metrics on April 16](#). From the looks of it, Tricon should manage to navigate itself out of COVID-19.

In its single-family rental business, Tricon achieved record same-home occupancy of 97% at the end of March. As of April 15, Tricon has collected over 90% of April rents. This represents 95% of historical collections at the same point. Less than 1% of single-family rental residents have requested a rent deferral plan because of economic hardship.

In the U.S. multi-family business, occupancy remained stable at 94% throughout the first quarter. As of April 15, Tricon had collected 92% of April rents. This represents 96% of historical collections at the same point. Approximately 3% of its multi-family rental residents have requested a rent deferral plan because of economic hardship.

### Tricon has experience of a downturn

Tricon is a company that plays a defensive game and this is borne out of its experience in the 2008 global financial crisis. The company's pure for-sale business model was in the eye of the storm and its

existence was threatened. Over the next decade, Tricon transformed from an inherently cyclical business to a rental housing company that provides essential shelter to the workforce.

The average rent is between \$1,200 to \$1,500 per month for its U.S. operations. The household rent-to-income ratios are in the low 20% range which indicates the business is designed to perform relatively well across business cycles.

Tricon has temporarily paused acquisitions of single-family rental homes. These acquisitions might resume under stable macro conditions.

In its press release, the company stated, "Tricon has also paused the value-add capital expenditure program in its U.S. multi-family portfolio and other non-essential capital expenditures in its single-family rental portfolio to preserve liquidity and safeguard employees and contract workers."

Tricon's liquidity consists of a \$500 million corporate credit facility. It also has \$175 million of undrawn capacity as of March 31. Tricon also had approximately \$53 million of cash on hand as of March 31, 2020, which brings liquidity to \$228 million. This should be enough to weather the pandemic and get out relatively unscathed.

Tricon stock trades at \$8.25. It has fallen 32% from its 52-week high, driving the forward yield to 3.4%. The company's strong fundamentals coupled with the potential for capital appreciation makes it a winning bet right now.

## CATEGORY

1. Coronavirus
2. Investing

## TICKERS GLOBAL

1. TSX:TCN (Tricon Residential Inc. )

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