



TFSA Investors: Buy the Safest Residential Real Estate Stock in North America

Description

InterRent Real Estate Investment Trust ([TSX:IIP.UN](#)) is a [growth-oriented real estate investment trust](#) engaged in increasing shareholder value through the acquisition, ownership, management, and repositioning of strategically located, income-producing, multi-residential properties. The company's primary objectives are to grow the net asset value through investments in a diversified portfolio of multi-residential properties and to provide owners with sustainable and growing monthly cash distributions.

Stable portfolio

The company's portfolio comprises of about 85 properties and 10,000 suites. Approximately 15% of the suites in the portfolio are located in [mid-sized population markets](#), while the remaining suites are located in the Greater Toronto Area (GTA) and Montreal. Management invest heavily within the existing assets to create a strong and reputable portfolio of assets. The company refinances the portfolio of properties as necessary to provide sufficient capital to continue to invest in the existing portfolio as well as acquire new properties.

Solid core strategy

The company's strategy has evolved to primarily target larger properties that require some level of repositioning that allows InterRent to achieve above average returns. The company has a formal set of acquisition criteria, including an extensive due diligence procedure for selecting potential acquisitions that are undertaken by an experienced management team. InterRent seeks properties with sound structural and mechanical attributes but that have, in the past, demonstrated poor performance due to lack of capital investment, a lack of management expertise, or owner neglect.

The company uses a geographically opportunistic growth strategy and participates in markets where opportunities exist to acquire properties inexpensively. The company purchases buildings that have a sufficient number of apartment suites in newly formed communities to ensure that it maintain economic viability through economies of scale.

Opportunistic purchases

InterRent's focus is to make opportunistic portfolio purchases, but it also selectively acquires individual properties that meet its acquisition criteria. Management has developed a network of real estate contacts across Ontario and Quebec, which help executives to source properties directly from vendors and to move quickly to acquire accretive properties. This network has allowed the company to purchase properties directly from vendors or through invited tenders, as opposed to fully marketed auctions.

Favourable outlook

The company believes that multi-residential real estate is a favourable asset class to operate within, because it offers stability of cash flow and an opportunity for expansion. This strategy has worked out well as multi-residential asset class has historically been able to withstand downturns in overall real estate markets when higher interest rates increase the cost of home ownership and reduce vacancies as quality shelter remains of high importance for most tenants.

The fragmented nature of multi-residential property ownership presents an opportunity for the company to consolidate ownership. Several residential owners of properties in close proximity to the company's properties are reaching retirement age and could look for exit point by selling land to the company. InterRent also engages in the construction or development of real property to improve the income-producing potential of properties in which the company has an equity interest.

CATEGORY

1. Investing

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1. Editor's Choice
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1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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