



This Cheap Residential Stock Could Make You a Billionaire

Description

Killam Apartment ([TSX:KMP.UN](#)) is one of Canada's [largest residential landlords](#). The company owns, operates, manages and develops a portfolio of apartments, and commercial properties, across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada across Canada. Killam entered the Ontario apartment market in 2010 and the Alberta apartment market in 2014.

The apartment business is Killam's largest segment and accounts for about 90% of Killam's net operating income (NOI). Killam's apartment portfolio consisted of 16,325 units, including 968 units jointly owned with institutional partners. Killam is Atlantic Canada's largest [residential landlord](#), owning a 13% share of multi-family rental units in the company's core markets.

In addition, Killam owns 29 year-round and nine seasonal parks, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases lots to tenants who own the homes and pay Killam site rent. Killam also owns commercial properties that accounts for about 5% of the company's NOI.

Maximizing earnings

Killam increases the value of the company's portfolio by maximizing revenue and managing expenses. In order to achieve NOI growth, Killam effectively manages occupancy, rental rates and operating costs. Killam focuses on providing superior customer service and employee training, using technology and analytics to drive leasing, maximizing rental rates on renewals and completing unit renovations, to maximize revenue.

Operating cost management is focused on energy efficiencies, technology investments, economies of scale, risk management, and tenant education. Killam has increased same property NOI by an average of 4.1% per annum over the last five years.

Growth through acquisitions

Killam has expanded the company's portfolio through the acquisition of centrally located buildings. The company has targeted target markets of Ontario, Alberta and most recently British Columbia.

Acquisition activity for the company has varied by year depending on opportunities and access to capital.

On average, Killam has acquired about \$120 million of properties each year since the company's first acquisition in 2002. Killam operates one of Canada's newest apartment portfolios and targets the acquisitions of newer properties as modern, high-quality buildings are in greater demand by tenants and require less maintenance capital to operate.

Develop high-quality apartments

Killam enhances organic and acquisition growth opportunities with development. Killam started developing apartments in 2010 and has completed eleven projects to date, investing approximately \$285 million to construct nearly 1,200 units. Killam has an experienced development team, including an in-house architect and engineers, that oversee all projects. New property construction enables Killam to control the quality and features of its buildings.

Killam targets yields of 5.0%–6.0% on development to create maximum value for the company's shareholders. Killam currently has a development pipeline of approximately 2,650 units.

Geographical diversification

Killam is focused on increasing the percentage of NOI generated outside Atlantic Canada. The company is targeting expansion in selected markets as Killam's strong operating platform can support a larger and more geographically diverse portfolio.

Increased investment in Ontario and Western Canada will enhance Killam's diversification and exposure to the larger urban centres in Canada, which traditionally have higher rates of population growth.

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