



TFSA Investors: Meet an Undervalued Dividend King

Description

With a strategic focus on the acquisition of high-quality, multi-suite residential properties in Canada and the United States, **Morguard North American Residential REIT** ([TSX:MRG.UN](#)) maximizes long-term unit value through [active asset and property management](#). The company's portfolio is comprised of over 13,000 residential suites located in Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia, and Maryland with an appraised value of over \$3 billion.

Powerful business strategy

The strategic goal of the real estate investment trust (REIT) is to create and manage a well-diversified, quality portfolio of revenue-producing [residential properties](#) in both Canada and the United States. The REIT has acquired a substantial portfolio and is now supported by an experienced multi-unit residential team. The portfolio generates a dependable stream of income for investors.

The REIT's portfolio comprises of apartment and townhome communities acquired in the U.S. and Canada. Apartments include low-rise, garden-style apartments, modern leasing centres, attractive amenities and experienced property management. In Canada, the REIT's portfolio is weighted to popular high-rise rental suites.

In both Canada and U.S., the REIT's properties and tenants benefit from Morguard's experienced property management teams. The residential real estate asset class is expected to remain popular with many North Americans, from young families seeking attractive, comfortable housing without assuming mortgage debt to retired couples looking to downsize.

Stellar financial performance

In fiscal 2020, the REIT achieved net operating income of over \$100 million, up significantly year over year. Funds from operations increased, and distributions to unitholders remained constant at \$0.05 per month. The REIT was created in 2013 following the completion of an initial public offering of trust units in 2012. By the 2020 year-end, the REIT's portfolio in Canada and the U.S. reached approximately \$3

billion in value.

Over the last several years, management of the REIT increased the portfolio size dramatically through three major acquisitions. These purchases, which total about \$670 million, will have a positive impact on financial performance over the next decade. The acquisitions have now brought the total number of suites to over 13,000 or virtually more than double the 2012 total.

The REIT's approach to property acquisition focuses on locations throughout North America, where it sees the most promising prospects and on multi-unit residential rental properties that are likely to have low return variability and potential increased value through improvements and active management. Approximately 60% of the REIT's suites are located in the United States. A prudent approach to financing the REIT's activities is also central to the company's strategy.

Financing and future outlook

In addition to mortgage financing, the REIT regularly raises equity by issuing millions of trust units. The REIT also regularly issues convertible unsecured subordinated debentures with a term of five or 10 years to further growth. The company's management have indicated an interest to maintain the REIT's cross-border focus and wants to continue to seek acquisition possibilities.

The REIT should continue to grow returns through value-added initiatives, including new marketing programs and the repositioning of certain properties. These approaches should continue to allow the REIT to deliver consistent results to unitholders.

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1. Investing

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Author

nikhilwaterloo

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