



TFSA Picks for Value Investors: Own European Real Estate Today

Description

European Residential (TSXV:ERE.UN) is primarily focused on the ownership of [multi-residential](#) real estate properties in Europe. The real estate investment trust (REIT) owns and operates 139 properties located in the Netherlands comprising 138 residential properties and one mixed residential and retail property. This represents about 6,000 residential suites, 106,000 square feet of retail gross leasable area (GLA) and certain parking facilities, along with two commercial properties located in Germany and Belgium.

The REIT's strategy is focused on providing investors with an opportunity to gain indirect exposure to the European multi-residential real estate sector, with a current focus on the Netherlands. More specifically, the REIT's objectives are to provide unitholders with long-term, stable and growing cash distributions and to grow adjusted funds from operations (AFFO) and unit value through active management of the company's properties.

Growth by accretive acquisitions

The company makes accretive acquisitions of European residential properties and invests capital within the property portfolio in order to [maximize earnings](#) and cash flow potential and to ensure tenant safety and satisfaction. In order to meet objectives, the REIT provides tenants with safe, secure and comfortable space and takes a hands-on approach to managing the company's properties to ensure tenants' needs are met efficiently and effectively. This ensures that a high occupancy level is maintained.

By carefully monitor operating costs, the REIT ensures services to tenants are being delivered both efficiently and cost effectively. The REIT makes appropriate capital investments in order to maintain the productive capacity of the company's property portfolio and often converts regulated suites into liberalized suites to maximize returns.

Conservative liquidity position

Growing the company's portfolio over the long term through accretive acquisitions of residential properties in Europe is one of the REIT's strategic criteria. This helps the REIT to increase net operating income. The company manages the REIT's exposure to interest rate volatility by proactively managing the mortgage debt portfolio. This includes taking steps to reduce average interest rates, stagger maturity dates and maintain an overall conservative liquidity position.

Management believes that the multi-residential sector offers superior risk-adjusted returns compared to other real estate asset classes. The REIT is the only Canadian real estate investment trust presently focused on the European multi-residential sector. Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate and infrastructure sectors.

These investors have increased the international component of real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows.

Unique asset class

The REIT provides a unique opportunity for Canadian retail and institutional investors to diversify real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done by investing in an entity that will pursue investment opportunities in non-Canadian residential real estate.

Certain characteristics of and trends in the European multi-residential sector, and in particular in the Netherlands, suggest that this market offers an attractive investment alternative for investors. This should serve the REIT's investors well over the long term.

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