3 Residential REITs to Take Advantage of the Rent Rise

Description

One of the things we should all have learned from the Great Recession is that in today's modern economy, where multiple segments and elements are aggressively interconnected, problems in one area almost always permeate to others.

Take the housing market in Canada as an example. Home prices have been on a tear for a while now, and despite the rising costs, inventory hasn't been sitting on the market for too long. The rising housing prices forced buyers to move away from city centres into suburbs, but then the prices started to rise there as well.

Now, it has impacted the rents as well. Previously, rent was lower as you moved away from the city centre and to the suburbs. Now, you might find higher rents, even if you move several kilometres away from the city centre. While the situation is not ideal for renters, it might be to the advantage of some of the country's largest landlords — i.e., residential REITs.

An Ottawa-based residential REIT

Interrent REIT (TSX:IIP.UN) is an Ottawa-based REIT with about 12,172 residential suites in four major market segments. The portfolio consists of 116 properties, with the highest concentration in GTA and Hamilton area. The REIT focuses on quality acquisitions to grow its portfolio and major upgrades to give the properties their characteristic touch.

The company has been growing steadily in all the right avenues. It has a growing asset base, strong financials, and more-than-adequate capital-appreciation potential. It has an impressive 10-year CAGR of 26.5%. The REIT is also a Dividend Aristocrat, but the 1.9% yield is infinitely less attractive than its powerful growth potential.

A Toronto-based REIT

Another aristocratic residential REIT that you might consider investing in **Canadian Apartment Properties REIT**

(TSX:CAR.UN). With over 67,600 residential rental units, it's one of Canada's largest landlords. It has an impressive occupancy rate of 97.3%, and the REIT survived the financial onslaught of the pandemic without gaining any permanent scars.

The bulk of REIT's portfolio is concentrated in Ontario and Quebec (57% collectively). The rest is distributed among other provinces with 10% in Europe. The revenues haven't dipped for a single year since 2011, and the strong financials also reflect in the safety of its dividends. The payout ratio is just 25%, and the yield is at 2.3%. The 10-year CAGR is 16%.

A Nova Scotia-based REIT

Killam Apartment REIT (TSX:KMP.UN) has a relatively diversified portfolio when it comes to property types. It has over 17,000 apartments, 39 mobile home communities with about 5,875 units, and 250 commercial properties. However, 91% of the NOI of the REIT comes from apartment properties.

Killam stock fell by over 30% during the crash, and it still hasn't recovered to its pre-pandemic value yet, but it *is* recovering. In 2021 so far, the stock has grown over 21%, and its 10-year CAGR, which took a dive during the crash. is now up to almost 12%. The yield is 3.3% and backed up by a highly stable payout ratio of 52.8%.

Foolish takeaway

The rent hike might not give these stocks a very strong push, but the housing market's general condition might have tipped the scale in landlords' favour for several years. Fewer and fewer people might try and buy a home for their families, especially when the interest rates go up. This will go well for residential REITs whose revenues are tied to rental income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)
3. TSX:KMP.UN (Killam Apartment REIT)
4. TSX:MAGT (Magnet Forensics)

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