Urban Rent Is Surging! Bet On This REIT

Description

2022 is the year of urban revival. Toronto, where I live, has been a ghost town for two years. Now, with the mandates lifting and cases dipping, the city is quickly regaining traction. I expect this to play out across Canada's largest cities throughout the rest of this year. That should benefit some residential real estate investment trusts (REITs).

Here's a closer look at how you can bet on this trend before the rest of the market catches on.

Urban rents

The pandemic created two forces that pushed urban apartment rents lower: cheap oil and people working from home. With nearly every white-collar professional working from home, living in an urban environment became less important. Meanwhile, cheaper gas prices made the occasional commute far more bearable.

Both these trends are reversing in 2022. Crude oil prices are far beyond $120 per barrel. Higher gas prices are here to stay, at least for the foreseeable future. Meanwhile, companies have been asking employees to head back to the office, at least for a few days every week. COVID-related restrictions have been lifted across much of Canada and could be entirely suspended by mid-2022.

As a result, rents for city condos and apartments are surging. **Canadian Apartment Properties REIT** (TSX:CAR.UN) is at the forefront of this trend. The stock is already up 22.7% from late 2020. However, the stock could have much more upside ahead if rents and apartment valuations continue to rise.

Diversified portfolio

While the stock has pulled back significantly from a 52-week high, it is still an exciting play, as it boasts highly defensive and opportune plays in the Canadian housing market. CAPREIT boasts a diversified portfolio of more than 65,000 sites across Canada, consisting of apartment buildings, townhouses, and land lease communities.

In recent years, the company has expanded its portfolio of quality rental housing in Canada and the Netherlands. Therefore, the company's streams of funds are well distributed and do not depend on one market.

Solid results

The REIT is fresh from delivering solid quarterly and full-year results. Operating revenues for the year ended December 31, 2021, increased to $933 million from $882 million delivered the previous year. Net operating income increased to $609 million from $578 million delivered the previous year. During the year, portfolio occupancy stood at 98.1%, with monthly rents averaging $1,149.

Given that the REIT has dipped by about 10% from its 52-week high, now may be the best time to pay close attention to it. The REIT is trading at a discount with a price-to-earnings multiple of 6.55. The stock offers a dividend yield of 2.6%, which I believe could soar much higher by the end of the year.

Bottom line

Remote work and cheap gas prices were temporary factors that drove people out of cities for the past two years. Now that mandates are lifting, and oil prices are at record highs, demand for urban rentals should climb. This hasn't been priced into CAPREIT's stock yet. It's still trading at six times earnings and 0.89 times book value.

Conservative investors seeking a safe haven should keep an eye on this.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vraisinghani

Category

1. Dividend Stocks
2. Investing

Date
2025/07/22
Date Created
2022/03/10
Author
vraisinghani