



Morguard: Should You Buy This REIT After Earnings?

Description

When this month started, I'd [discussed](#) some of the challenges that lay ahead for the Canadian real estate sector. Moreover, the 50-basis point interest rate hike enacted by the Bank of Canada (BoC) earlier this month has led to turmoil in the broader stock market. That said, today I am going to focus on an individual real estate investment trust (REIT). **Morguard North American Residential REIT (TSX:MRG.UN)** released its first-quarter 2022 results after markets closed on April 26, 2022. [Should investors](#) look to snatch up this REIT today? Let's jump in.

Why this REIT has dipped over the past week

This Mississauga-based REIT owns and operates a diversified portfolio of multi-suite residential rental properties across Canada and the United States. According to its mission statement, it aims to generate stable and growing cash distributions to unitholders.

Shares of Morguard have dropped 5.6% over the past week as of close on April 26. The REIT is still up 4.2% in the year-to-date period. This REIT has put together a solid performance, considering the turbulence we have seen in Canadian and global markets. Indeed, the **S&P/TSX Composite Index** fell 321 points in yesterday's trading session.

How does Morguard look after its first-quarter earnings release?

In the first quarter of 2022, Morguard reported net operating income (NOI) of \$17.4 million — up 14% from the previous year. It benefited marginally from a shift in the foreign exchange rate. Meanwhile, net income surged \$143 million from the first quarter of 2021 to \$171 million. This jump was powered by a higher non-cash fair value gain on its real estate properties. Moreover, basic funds from operations (FFO) rose 17% year over year to \$0.33 per unit. Total revenue from real estate properties were reported at \$65.2 million — up from \$60.3 million in the previous year.

Morguard's property count remained flat in the year-over-year period at 43 in total. Meanwhile, it reported occupancy of 93.8% in Canada, a marginal improvement from the prior year and 96.3% in the

United States. Average monthly rent was also up from the first quarter of 2021.

On the corporate side, Morguard entered conditional agreements to sell two of its properties in the United States, which will provide net proceeds of \$88.1 million. Its total assets have climbed to \$3.7 billion as of March 31, 2022 compared to \$3.5 billion in the prior year.

Should you snatch up Morguard REIT today?

Back in October 2021, I'd [recommended](#) investors snatch up REITs as a hedge against inflation. Shares of this REIT currently possess a very favourable price-to-earnings ratio of 4.5. Morguard briefly rose into technically overbought territory last week but has since fallen back to neutral levels.

On April 14, Morguard declared an April 2022 distribution of \$0.0583 per share. It offers monthly dividend payouts. This represents a 3.8% yield.

I'm looking to snatch up this rock-solid REIT after this encouraging earnings report. It offers nice value and consistent income in the face of a choppy market.

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