



## InterRent REIT Stock Q1 2022 Earnings Results: Investor Takeaways

### Description

Few stocks are left unscathed in the current market downturn. Unfortunately, **InterRent REIT** ([TSX:IIP.UN](https://www.tsx.com/stocks/IIP/UN)) stock is not one of them, but that's good for long-term investors, because it now provides a compelling buying opportunity in the solid [real estate investment trust](#) (REIT).

The monthly dividend stock is oversold right now, having fallen more than 31% from its 52-week high. However, its recent business results aren't half as bad.

### InterRent REIT stock Q1 2022 results

InterRent REIT reported its first-quarter (Q1) 2022 financial results yesterday. On the day, the stock bounced 1.8%, suggesting that the stock is oversold while the business fundamentals are stable.

For the quarter, the company's operating revenues increased by 20.5% to \$51.9 million, while its property operating costs rose at a lower pace of 14.3%, helped by management lowering the same-property operating costs by 1.0% to 14.4% of operating revenues. Property taxes and utility costs that are uncontrollable costs rose 10.2% and 31.8%, respectively, year over year. Consequently, the total operating expenses ended up increasing 17.8% to \$19.5 million versus Q1 2021.

Here is some key information from the Q1 2022 earnings report:

- Total suites increased by 8.5% to 12,445, including 960 that the REIT has a 50% stake in.
- Average rent per suite increased by 6.0% to \$1,404 in March 2022 versus March 2021.
- Occupancy rate improved 4.2% to 95.5% in March 2022 versus March 2021.
- Net operating income (NOI) increased 22.2% to \$32.4 million.
- Funds from operations (FFO) increased by 17.8% to \$19.1 million.
- FFO per unit increased by 16.7% to \$0.133, resulting in an FFO payout ratio of about 64% for the quarter.

The same-property metrics shown in the bullet points below are also telling, as they show performance without impacts from new asset contributions:

- Same-property average rent per suite increased by 5.3% to \$1,391 in March 2022.
- Same-property occupancy improved 4.8% year over year to 96.4% in March 2022.
- Same-property NOI margin improved 1.2% to 62.8% in Q1 2022 versus Q1 2021.
- Same-property NOI of \$28.9 million for the quarter increased 12.1% compared to Q1 2021.

## Valuation and dividend

At \$12.57 per unit at writing, InterRent REIT stock yields 2.7%. Its payout ratio is estimated to be about 59% this year. So, investors can expect its dividend-growth streak to continue. For reference, the defensive REIT increased its cash distribution at a compound annual growth rate of 5.8% in the past five years. The stock is undervalued meaningfully by 35% according to the 12-month analyst consensus price target on Yahoo Finance, which implies near-term upside potential of approximately 54%!

## Foolish investor takeaway

InterRent REIT's interest coverage and debt service coverage were 3.31 times and 1.84 times, respectively, at the end of Q1 2022. They are slightly lower than a year ago but still healthy.

The market correction is a good time to build a position in [undervalued InterRent REIT stock](#). As a smaller player in the residential REIT space, it has greater price appreciation potential when the stock market turns around — whenever that may be.

### CATEGORY

1. Dividend Stocks
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**Date**

2025/09/26

**Date Created**

2022/05/11

**Author**

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