



## 2 Residential REITs Canadians Can Buy in June

### Description

The prices across the Canadian housing market continue to remain elevated in 2022, despite a challenging macro-environment. According to a report from [Global News](#), home sales in the Greater Toronto Area housing market fell by 39%, but prices still rose by 10% year over year. Home sales in the month of May in Ontario stood at 7,283 units compared to 11,903 in the year-ago period. It also declined from 7,989 units in April 2022.

The decline in housing unit sales can be attributed to higher interest rates as well as rising inflation numbers, which have reduced consumer spending. Some potential home buyers expect prices to move lower going forward and are delaying their purchase decisions.

Despite a fall in home unit sales, the average home buying price rose to \$1.21 million in May compared to \$1.10 million in the prior-year period. But average home prices were lower than the price of \$1.25 million seen in April. Right now, home prices have fallen for the third straight month.

In an interview with *Global News*, the chief economist at BMO Capital Doug Porter explained, “The pullback in sales has now gone far beyond simply reversing the outsized strength a year ago and is now in well-below-average terrain, with inventories building quickly.”

If investors want to gain exposure to Canada’s housing market, it makes sense to consider [real estate investment trusts](#) (REITs) such as **Killam Apartment** ([TSX:KMP.UN](#)) and **Canadian Apartment Properties** ([TSX:CAR.UN](#)).

### Killam Apartment

In Q1 of 2022, Killam Apartment reported a net income of \$60 million — an increase of \$32.6 million compared to a net income of \$27.4 million in the year-ago period. The growth in net income was attributed to fair-value gains on investment properties on the back of higher rents and strong occupancy as well as acquisitions, completed developments, and increased earnings from the existing portfolio.

Its net operating income rose 12.4% to \$45.3 million while funds from operations rose 4.3% to \$0.24 per share. Its adjusted funds from operations stood at \$0.20 per unit, an increase of 5.3% year over year.

Killam's development program is expected to drive revenue and earnings in the next two years. Its properties at the Latitude and Lay are open and 60% of it is already leased. The company has also grown its portfolio by \$60.5 million by focusing on acquisitions in Victoria, Halifax, Waterloo, and Guelph.

Killam Apartment provides investors with a tasty dividend yield of 3.5%, which is sustainable considering it pays investors \$0.70 per share annually.

## Canadian Apartment Properties

Shares of Canadian Apartment Properties have almost doubled in the last 10 years, after adjusting for dividends. It offers investors a forward yield of 3%, making the stock attractive to income investors as well.

In Q1, its occupancies rose to 98% from 97.3% in the same period last year. Further, average monthly rates rose by 3.9%, allowing Canadian Apartment Properties to strengthen its balance sheet and liquidity position.

In the March quarter, Canadian Apartment Properties increased operating sales by 8.4% due to acquisitions, increased occupancies, and higher rental income. Comparatively, net total operating income surged by 4.4% due to weather-related maintenance costs, rising utility costs, higher property taxes, and rising natural gas prices.

Canadian Apartment is well poised to grow its top line in 2022 and beyond, as it purchased 1,015 suits and sites in Q1, totaling \$439 million. Its acquisition pipeline remains strong, which should unlock value for long-term unitholders.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)
2. TSX:KMP.UN (Killam Apartment REIT)

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