Bank of Canada Hikes Interest Rate 100 Basis Points

Description

The Bank of Canada raised interest rates by 100 basis points, surprising economists who thought the Bank of Canada would hit perhaps 75. The move comes after two consecutive hikes of 50 basis points in an attempt to but a halt to the soaring inflation.

The news comes out just as numbers come in from across the border, where the United States saw inflation rise 9.1% in June. This recent hike now brings the policy interest rate to 2.5%, with the Bank of Canada attempting to “more forcefully” commit to achieving its 2% inflation target.

Target looks far off

Right now, that target looks practically unreachable. Inflation hit 7.7% back in May, the largest year-over-year increase in almost 40 years. And it doesn’t look any better for June, with economists predicting an 8% rise in inflation. This comes mainly as gas prices surged during the month.

And, of course, one area where Canadians are looking carefully with rising inflation and interest rates is the housing market. In a report by the **Bank of Montreal**, Canadians now seem to expect lower home prices in the near future due to this. This goes along with what the bank believed in the past, with there being a “major behavioural aspect to what was happening in Canadian housing,” or basically FOMO.

REITs are different

This can be difficult to wade through when it comes to how Canadians should invest on the **TSX** today. With this recent interest rate hike, economists are telling Canadians to look specifically at cash flow and adjusted funds from operations per unit (AFFOPU) when considering real estate investment trusts (REIT).

After doing a study looking at REITs over the last 14 years, **Scotiabank** found that the companies delivering the best returns came from those with the highest AFFOPU. In that case, these are the

REITs where Canadians should put their focus — not necessarily on those with the highest net asset value per unit.

Scotiabank made a few choices, but there was one that hit multiple areas, and that was **InterRent REIT** (TSX:IIP.UN). It's a value pick that deserves praise for its growth profile that focuses on expanding within markets of stable vacancies. And as it alludes, it focuses on rentals — an area that's likely to continue seeing high activity with housing prices climbing.

The company offers a stable balance sheet, high growth, and value trading at 4.65 times earnings. You can also pick up a dividend yield of 2.84% for some monthly passive income. Shares are down 30% year to date and up 255% in the last decade. That's a compound annual growth rate of 13.5%!

Bottom line

The interest rate is no fun in a lot of ways. However, Motley Fool investors should know there are still ways to take advantage of *any* situation on the TSX today. In this case, InterRent offers a great way to get into the growing rental sector. It offers strong growth, stable cash flow and trades for a valuable share price. So, don't miss out on this opportunity recommended by economists!

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