Can't Buy a House? Check Out This REIT

Description

This housing market is one that's certainly the most unfavourable to new homebuyers we've seen in some time. A combination of incredibly high housing prices, alongside higher mortgage rates than we've seen in more than a decade, is making the prospects of buying a home more difficult.

That said, there are other ways investors can gain exposure to real estate aside from owning their own homes. Real estate investment trusts (REITs) provide investors with exposure to diversified portfolios of properties. These can range across property types and geographies. However, most trusts are structured in such a way that the vast majority of net income is paid to investors via dividends.

Thus, as a tax-efficient way to benefit from growing rents, REITs are a great option.

One residential REIT I've been pounding the table on for years is **Killam Apartment REIT** (TSX:KMP.UN). Here's why I think this REIT is worth a look right now.

Solid first-quarter financial results

Let's start with the numbers, shall we? After all, investing in any asset class, but especially real estate, should be focused on the numbers.

Killam has been killing it of late. The company's Q1 operating results saw revenue grow 5.1%, despite higher heating costs and other intangibles. Profit also grew slightly, signaling demand for the company's rental properties remains high.

Notably, Killam has also been acquiring size of late. The company's portfolio has grown by more than $60 million year to date via acquisitions in Victoria, Halifax, and Waterloo. These locations are preferable to overheated markets in Vancouver and Toronto — something many investors in this space like.

These results have allowed Killam to pay out a relatively juicy dividend yield of 4.1%. Thus, for those seeking relatively consistent dividend income over time, this is a company with the fundamentals to do so for a very long time.

Bottom line

This REIT's strategy is to improve profitability and value by focusing on three areas: raising earnings from existing operations, diversifying geographically via accretive acquisitions, while emphasizing newer properties and expanding its portfolio, and creating high-quality properties in the core markets. Long-term investors should obviously like this strategy.

As long as earnings per share continue to rise, and distributions remain intact, there's a lot to like about the prospect this REIT provides. Of course, the potential for a recession looming isn't good for Killam or its peers. However, residential real estate has proven itself to be recession resistant, at least during the course of previous recessions.

Thus, I think this REIT is worth a look, given the fact it's down more than 25% on a year-to-date basis alone. At these levels, investors should certainly do a deep dive.

CATEGORY

1. Dividend Stocks
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