



Why Canadian REITs Are Some of the Best Stocks to Buy Now

Description

Throughout 2022, many Canadian stocks have fallen in value, with real estate investment trusts (REITs) having been some of the largest underperformers and quickly becoming some of the best stocks to buy.

Anytime stocks sell off, particularly high-quality businesses, it creates a great opportunity for investors, as many of these are excellent long-term stocks.

And of all the real estate stocks you can buy for the long haul, residential REITs, which are always some of the best to buy, are trading at multi-year lows, such as **InterRent REIT** ([TSX:IIP.UN](https://www.scribd.com/document/91444444/TSX:IIP.UN)).

With InterRent trading at \$11.20 per unit as of Monday's close, the stock is now trading nearly as cheap as it was during the lows of the pandemic. And besides the pandemic, InterRent hasn't been this cheap since 2018.

So, let's look at just how [undervalued](#) InterRent REIT is now that it's earning much more than it was in 2018, and why it's one of the best Canadian stocks to buy now.

InterRent's strategy has led to an impressive performance over the years

While residential real estate is an excellent long-term investment due to the industry's consistent strong demand, which makes the sector highly defensive and results in excellent long-term growth potential, REITs like InterRent are some of the best Canadian stocks to buy now due to their long-term strategy and execution.

InterRent is constantly looking at how it can invest its cash to consistently grow investors' capital at the fastest rate possible.

It's done this by consistently expanding its portfolio as well as investing in properties it already owns to increase the value of these assets as well as the rental rates that the REIT can charge.

Since 2018, roughly 90% of its capital expenditures that it's spent on properties in operation have gone toward value-added investments compared to just 10% that InterRent has spent on maintaining its properties.

So far, through the first six months of the year, InterRent has spent just under \$20 million on its repositioning program. This is why InterRent is consistently growing its operations and increasing the revenue and profits that it's earning for investors.

In the three years from the end of 2018 to the end of 2021, InterRent increased its revenue by over 45%. Furthermore, over that timeframe, it increased its [adjusted funds from operations](#) (AFFO) per unit by roughly 18%, which is why it's been one of the best stocks to buy and hold for the long haul.

Plus, in addition to the capital gains potential that it offers, InterRent also pays a distribution, which it increases annually. That distribution now offers a yield of more than 3% after the stock's significant selloff this year.

So, with the stock now trading at a multi-year low, just how much value does it offer, and is it one of the best stocks to buy now?

Is InterRent REIT one of the best stocks to buy now?

As investors can see from InterRent's performance this year, the stock has lost a tonne of value. With InterRent at \$11.20 a unit, and with analysts expecting it can earn \$0.51 per unit in AFFO next year, the stock is trading at a forward price-to-AFFO ratio of roughly 22 times today.

That's about the lowest forward price-to-AFFO ratio that InterRent has had in the last five years. It's also well below its five-year average of 31.3 times and nearly half of the highest price-to-AFFO ratio that it reached over the last half-decade at 39.8 times.

This is why InterRent REIT is one of the best stocks to buy now. Not only is it ultra-cheap, but as it continues to grow its business and profitability, the REIT has tremendous upside.

For example, if InterRent was to trade back at its five-year average price-to-AFFO ratio, which was 31.3 times, the REIT's units would be worth nearly \$16 today. So, it's no surprise that the average target price from analysts is \$15.73 — a more than 40% premium to where InterRent trades today.

Therefore, if you're looking for the best stocks to buy in today's highly opportune environment, InterRent and many high-quality REITs like it offer tonnes of value.

CATEGORY

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